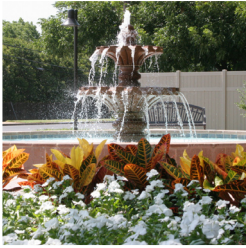


City of Farmers Branch, Texas

# Comprehensive Annual Financial Report



For the Year Ended September 30, 2009



City of Farmers Branch, Texas  
Comprehensive Annual Financial Report

For the Year Ended September 30, 2009

City Council:

Tim O'Hare

David Koch

Tim Scott

Harold Froehlich

Michelle Holmes

Ben Robinson

Mayor

Mayor Pro Tem, Place 4

Deputy Mayor Pro Tem, Place 1

Place 2

Place 3

Place 5

City Manager

Gary D. Greer

Prepared by

Finance Department  
Charles S. Cox, Director



CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report  
For the Year Ended September 30, 2009

TABLE OF CONTENTS

INTRODUCTORY SECTION:	Exhibit	Page
Letter of Transmittal		i
Organization Chart		vi
List of Principal Officials		vii
Certificate of Achievement		viii
 FINANCIAL SECTION:		
Independent Auditors' Report		1
Management's Discussion and Analysis (unaudited)		2
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	11
Statement of Activities	A-2	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	14
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	B-2	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	B-3	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	B-4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Budget and Actual	B-5	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Landfill Closure/Postclosure Fund - Budget and Actual	B-6	19
Proprietary Funds:		
Statement of Net Assets	C-1	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets	C-2	21
Statement of Cash Flows	C-3	22
Notes to Basic Financial Statements	D-1	24
Required Supplemental Information:		
Texas Municipal Retirement System Analysis of Funding Progress (unaudited)	E-1	40
Other Supplemental Information:		
Combining and Individual Fund Statements and Schedules:		
Combining Financial Statements - Nonmajor Governmental Funds:		
Combining Balance Sheet - Summary	F-1	45
Combining Balance Sheet - Nonmajor Special Revenue Funds	F-1a	46
Combining Balance Sheet - Nonmajor Capital Projects Funds	F-1b	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Summary	F-2	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	F-2a	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	F-2b	52
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual		
General Fund	G-1	55
Nonmajor Special Revenue Funds	G-2	56
Debt Service Fund	G-3	60
Combining Financial Statements - Internal Service Funds:		
Combining Statement of Net Assets	H-1	62
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	H-2	63
Combining Statement of Cash Flows	H-3	64

(continued)

CITY OF FARMERS BRANCH, TEXAS

Comprehensive Annual Financial Report  
For the Year Ended September 30, 2009

TABLE OF CONTENTS

STATISTICAL SECTION (UNAUDITED):

	Table	Page
Net Assets by Component - Last Eight Fiscal Years	1	66
Changes in Net Assets - Last Eight Fiscal Years	2	68
Fund Balances, Governmental Funds - Last Eight Fiscal Years	3	70
Changes in Fund Balances, Governmental Funds - Last Eight Fiscal Years	4	72
Estimated Actual and Assessed Value of Taxable Property - Last Ten Fiscal Years	5	74
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	6	76
Direct and Overlapping Property Tax Levies - Last Ten Fiscal Years	7	78
Principal Property Taxpayers - Current Year and Nine Years Ago	8	80
Property Tax Levies and Collections - Last Eight Fiscal Years	9	81
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years and Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	10	82
Direct and Overlapping Governmental Activities Debt - September 30, 2009	11	83
Demographic Statistics - Last Ten Fiscal Years	12	84
Principal Employers - Current Year and Nine Years Ago	13	85
Full-Time Equivalent City Government Employees by Function/Program - Last Eight Fiscal Years	14	86
Schedule of Insurance Policies in Force - September 30, 2009	15	87
Operating Indicators by Function/Program - Last Ten Fiscal Years	16	88
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years	17	90

CONTINUING FINANCIAL DISCLOSURE SECTION (UNAUDITED):

Valuation, Exemptions, and General Obligation Debt	CD-1	94
Taxable Assessed Valuations by Category	CD-2	95
Valuation and General Obligation Debt History	CD-3	96
Tax Rate, Levy, and Collection History - Last Five Fiscal Years	CD-4	97
Ten Largest Taxpayers - Fiscal Year 2009	CD-5	98
Tax Adequacy	CD-6	99
General Obligation Debt Service Requirements	CD-7	100
Interest and Sinking Fund Budget Projection	CD-8	102
Computation of Self-Supporting Debt	CD-9	103
Hotel/Motel Tax Revenue - Last Ten Fiscal Years	CD-10	104
Hotel Occupancy Taxpayers - September 30, 2009	CD-11	105
General Fund Revenue and Expenditure History - Fiscal Years Ended September 30	CD-12	106
Authorized but Unissued General Obligation Bonds	CD-13	107
Municipal Sales Tax History - Last Five Fiscal Years	CD-14	108
Current Investments - September 30, 2009	CD-15	109
Historical Water and Wastewater Usage - Last Five Fiscal Years	CD-16	110
Top Ten Water Consumers - September 30, 2009	CD-17	111
Monthly Water and Sewer Rates - Last Ten Fiscal Years	CD-18	112
Condensed Statement of Water and Sewer System Operations - Fiscal Years Ended September 30	CD-19	113

---

(concluded)

*INTRODUCTORY  
SECTION*







City of Farmers Branch  
13000 William Dodson Parkway  
Farmers Branch, Texas 75234

January 19, 2010

Honorable Mayor and City Council  
City of Farmers Branch  
Farmers Branch, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmers Branch, Texas for the year ended September 30, 2009. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

## **THE REPORT**

The Texas Local Government code (§103.001) requires annual audits of municipalities and the City Charter (Sec. 2-18) requires an annual audit of the books of account, financial records, and other evidence of transactions by a certified public accountant within 120 days of the end of the fiscal year. These requirements have been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2009.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Grant Thornton L.L.P. has issued an unqualified opinion on the City of Farmers Branch's financial statements for the year ended September 30, 2009. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Farmers Branch (City) covers approximately 12.5 square miles and is conveniently located on Dallas' northern border. It lies in the heart of an 11-county area that has emerged as a premier commercial, financial, and trading center. Two major interstate highways, the Dallas North Tollway, and the President George Bush Turnpike border the City. The Dallas/Fort Worth

International Airport and the Dallas Love Field Airport are only minutes from Farmers Branch. These factors all contribute to the favorable business climate existing within the City.

The City of Farmers Branch was incorporated in 1946 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and five other at-large members, all elected on a non-partisan basis. The term of office is three years, with the terms of two members expiring every year. The City Manager is the chief executive officer for the City.

Although the residential population has been recently estimated at 31,100, Farmers Branch serves a daytime population of approximately 90,000. The City provides a full range of municipal services including police, fire, emergency ambulance, sanitation, library, construction and maintenance of streets and municipal utilities, parks and recreation, water and sewer, planning and zoning, economic development, and general administrative functions. The City of Farmers Branch also is financially accountable for the Farmers Branch Housing Finance Corporation, the Farmers Branch Industrial Development Corporation, and the Farmers Branch Local Government Corporation which are included as discretely presented component units and the North Dallas County Water Supply Corporation, which is included as a joint venture. Additional information on these four entities can be found in the notes to the financial statements (See Note 1.A).

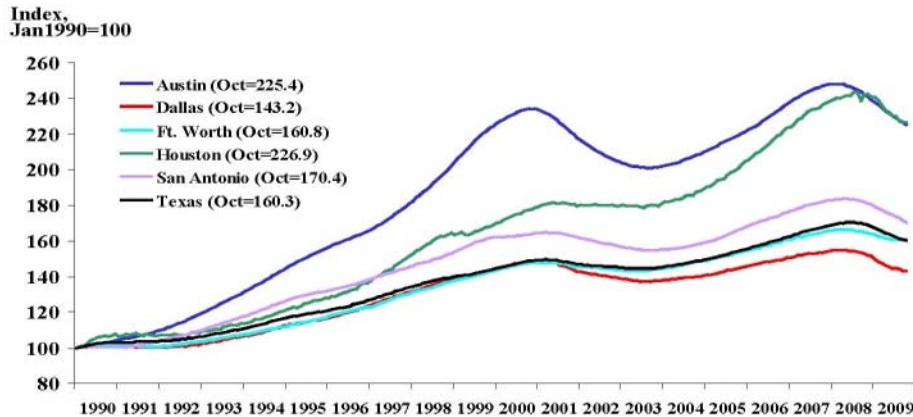
The Council enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Farmers Branch's financial planning and control. Annual budgets are prepared for all governmental funds including the general fund, debt service fund, and special revenue funds. Capital projects funds are budgeted over the life of the project. The City Manager is authorized to transfer resources within each division's summary budget category. Council approval is necessary for all other transfers (See Note 2.A).

## **LOCAL ECONOMY**

According to the Federal Reserve Bank of Dallas' November 2009 *Regional Economic Update*, "regional economic conditions are weak but improving. Employment fell again in September, and a benchmark revision of Texas jobs data for the first half of the year resulted in additional payroll declines of 63,500 since December 2008. State gross domestic production and personal income data, however, suggest that economic activity may have bottomed out in the second quarter. Stimulus measures, transfer payments, and public sector growth are making up for some of the private sector weakness. Forward-looking measures remain more positive than data from the same period last year, suggesting the outlook is for continued improvement."



## Texas Major Metro Area Business-Cycle Indexes



The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries, and includes many of the nation's foremost businesses. Farmers Branch is the location of choice for 65 corporate headquarters, 24 Fortune 500 corporations, and approximately 2,400 small and mid-size firms. Approximately seventy-eight percent (78%) of the City's tax base comes from the business community.

General fund revenues decreased from fiscal year 2009. Total revenues of \$41.0 million represented a decrease of 2.8% from the prior year. While property tax revenues increased 2.4%, all other categories of revenue were reduced from the prior year reflecting the weak economic conditions.

The fiscal year 2010 budget was developed projecting slower revenue growth. General fund revenues have been budgeted at \$1.3 million more than the fiscal year 2009 amended budget. The proposed budget includes an increase in the property tax rate from 49.45 cents to 51.95 cents. Property tax revenues are projected to increase 6.3%. Sales tax revenues are anticipated to increase by 1.0%. Water consumption decreased 5.4% during fiscal year 2009 reflecting a cooler summer, less business consumption, and consumer conservation efforts. The fiscal year 2010 water sales budget assumes a 5.5% increase in anticipation of a return to normal summer temperatures.

### LONG-TERM FINANCIAL PLANNING

Users of this document as well as others interested in the programs and services offered by the City of Farmers Branch are encouraged to read the City's 2009-2010 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's Budget also includes long-term financial plans for the general fund that forecasts revenues and expenditures over a five-year horizon. The document can be obtained from the City of Farmers Branch's finance department by calling (972) 247-3131. The Budget can also be accessed through the City's web site at [www.farmersbranch.info](http://www.farmersbranch.info) and selecting the Finance department using the web site's "department quicklink."

## **RELEVANT FINANCIAL POLICIES**

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The concept notes that the City will strive to maintain a general fund unassigned fund balance to be used for unanticipated emergencies of 20% of the actual general fund expenditures plus other financing sources and uses. A net current assets balance of \$2.0 million is targeted for the water and sewer (enterprise) fund. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating.

The City of Farmers Branch invests funds prudently and has adopted an investment policy, which is reviewed annually by the City Council as prescribed by State law. Staff provides a quarterly report of investments for Council review. The City's investment practice is to buy securities and hold them to maturity to avoid potential losses from a sale. During fiscal year 2009, the City complied with all aspects of the investment policy.

## **MAJOR INITIATIVES**

In 1998, the City established a Tax Increment Finance District for the City's west side. This District encompasses over 800 acres of unimproved land. The goal of this District is to spur development in the last major undeveloped area of the City. Since the District was created, taxable values within the District have increased by \$117 million. Property taxes associated with this increment are used to accelerate public infrastructure improvements within the District. All taxing entities participate in funding these improvements. The District will legally expire in 2018.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmers Branch for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2008. This was the twentieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

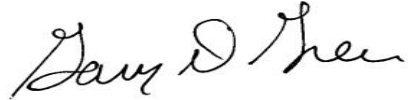
A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2008. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

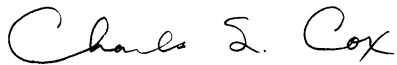
The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in cursive script that reads "Gary D. Greer".

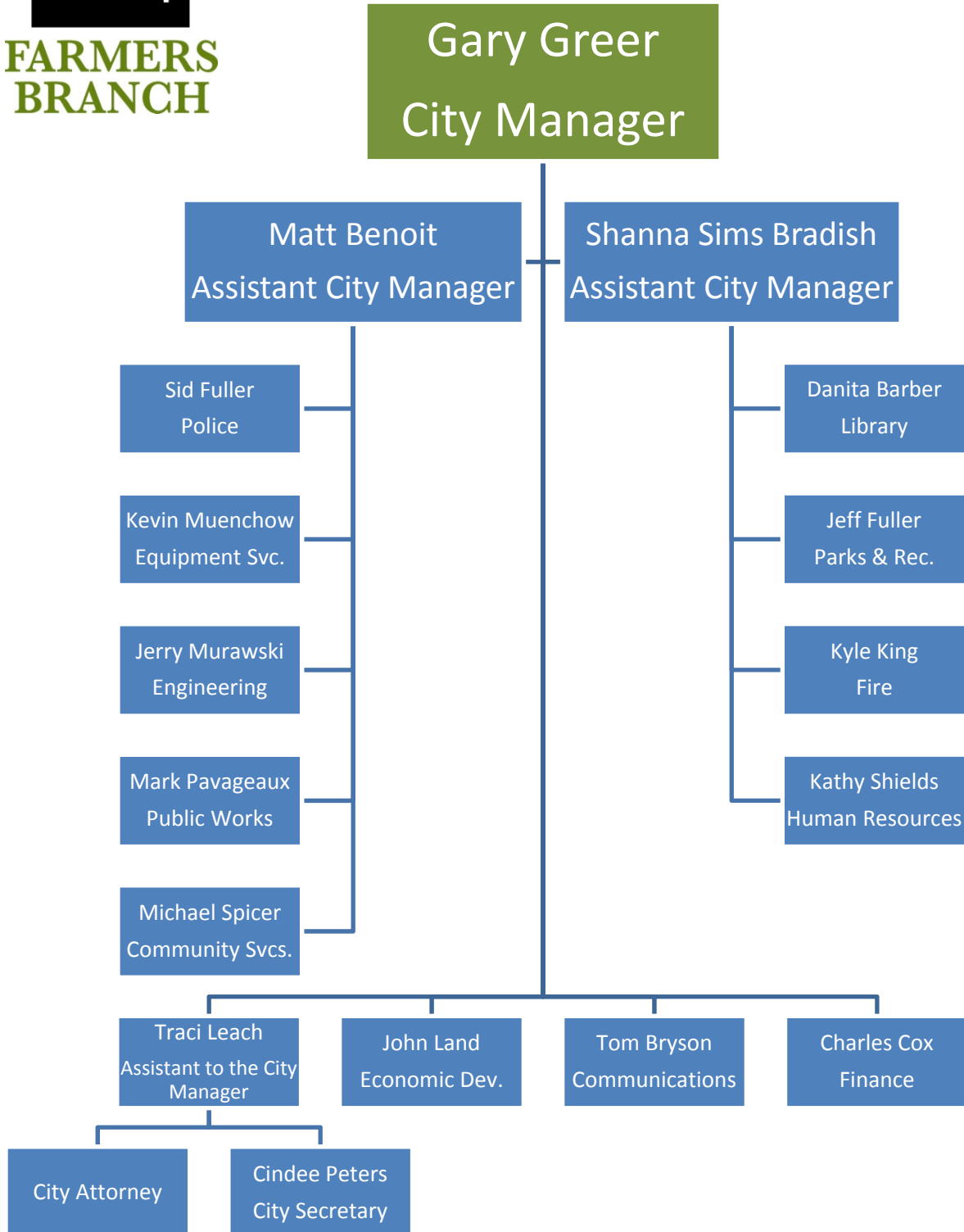
Gary D. Greer  
City Manager

A handwritten signature in cursive script that reads "Charles S. Cox".

Charles S. Cox  
Director of Finance



## City of Farmers Branch Organization Chart



City of Farmers Branch, Texas  
List of Principal Officials

City Council

Tim O'Hare  
David Koch  
Tim Scott  
Harold Froehlich  
Michelle Holmes  
Ben Robinson

Mayor  
Mayor Pro Tem, Place 4  
Deputy Mayor Pro Tem, Place 1  
Place 2  
Place 3  
Place 5

Appointed Officials

Gary D. Greer  
Matt Benoit  
Shanna Sims-Bradish  
Jerry Murawski  
Cindee Peters  
Tom Bryson  
Michael Spicer  
John Land  
Kevin Muenchow  
Charles S. Cox  
Kyle D. King  
Kathleen Shields  
Michael Perry  
Danita Barber  
Jeff Fuller  
Sid Fuller  
Mark Pavageaux

City Manager  
Assistant City Manager  
Assistant City Manager  
City Engineer  
City Secretary  
Communications/Marketing Director  
Community Services Director  
Economic Development Director  
Equipment Services Director  
Finance Director  
Fire Chief  
Human Resources Director  
Information Services Director  
Library Director  
Parks & Recreation Director  
Police Chief  
Public Works Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmers Branch  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director



*FINANCIAL  
SECTION*





## Report of Independent Certified Public Accountants

Audit • Tax • Advisory

**Grant Thornton LLP**

1717 Main Street, Suite 1500  
Dallas, TX 75201-4667

T 214.561.2300  
F 214.561.2370  
www.GrantThornton.com

The Honorable Mayor, City Council and City Manager  
The City of Farmers Branch, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Farmers Branch's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas, as of September 30, 2009, and the respective changes in financial position and respective cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the major special revenue fund - Landfill Closure/Post-Closure Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-10 and the Required Supplemental Information on page 40 (Texas Municipal Retirement System Analysis of Funding Progress and Retiree Benefit Plan Schedule of Funding Progress) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section, and continuing financial disclosure section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical and continuing financial disclosure sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GRANT THORNTON LLP

Dallas, Texas  
January 8, 2010

# CITY OF FARMERS BRANCH, TEXAS

## Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2009 (Unaudited)

As management of the City of Farmers Branch (City), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2009 by \$165,772,784 (net assets). Of this amount, \$13,687,343 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies as more fully described below.
- The City's total net assets decreased by \$11,712,668. About half of this decrease was due to spending for road resurfacing and repairs which was done utilizing proceeds from debt issued in a prior fiscal year.
- At the close of the fiscal year ended September 30, 2009, the City's governmental funds reported combined ending fund balances of \$27,291,769, a decrease of \$11,013,367 in comparison with the prior year. Approximately 28 percent of this total amount, \$7,670,573, is available for use within the City's policies (unassigned fund balance).
- The unassigned fund balance for the general fund was \$7,670,573 or 19 percent of the total general fund expenditures and other financing sources. This represents a \$1,036,636 increase from the prior fiscal year due primarily to a higher transfer from the non-bond capital projects fund and a transfer from the water and sewer fund.
- The total debt of the City of Farmers Branch decreased by \$3,577,937 (12 percent) during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

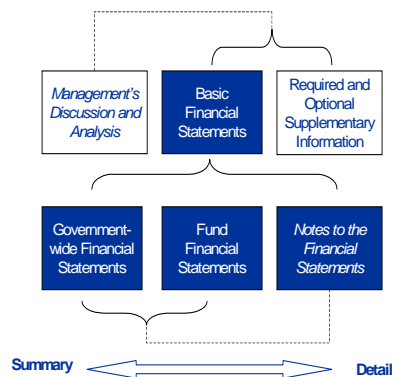
The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer.

The government-wide financial statements can be found in Exhibit A of this report.

#### Required Components of City of Farmers Branch's Annual Financial Report



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

**Fund Financial Statements** - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 17 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, landfill closure/postclosure fund, and non-bond capital projects fund, which are considered to be major funds. Data from the other 14 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

**Proprietary Funds** - The City maintains two types of proprietary funds. The water and sewer fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the water and sewer fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services and workers' compensation funds. Because these services predominantly benefit governmental rather than business-type functions they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund is considered a major fund of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

**Notes to Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found in Exhibit D of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplemental information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplemental information on pensions. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

Major Features of City of Farmers Branch's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire, and parks	Activities the City operates similar to private businesses: such as water/sewer utility
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting And current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after The end of the year; expenditures when goods or services have been received And payment is due during The year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Farmers Branch, assets exceeded liabilities by \$165,772,784 as of September 30, 2009.

The largest portion of the City's net assets (87.70%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (4.04%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (8.26%) may be used to meet the government's ongoing obligation to citizens and creditors.

The governmental activities current and other assets decreased \$13,150,935 and unrestricted net assets decreased \$11,512,726. The primary reason for these decreases is that approximately \$5,700,000 was spent for road resurfacing and repairs from unrestricted resources. No new debt was issued and the tax rate was not increased during the fiscal year. Revenues decreased in most categories due to the ongoing recession. Also, the special revenue funds with a positive net asset balance have been reclassified from unrestricted net assets to restricted net assets to match reporting in the governmental funds with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 54 in fiscal year 2009.

## CONDENSED NET ASSETS

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 34,933,868	\$ 48,084,803	\$ 17,974,249	\$ 18,053,629	\$ 52,908,117	\$ 66,138,432
Capital assets	126,474,229	126,768,770	43,541,985	44,610,794	170,016,214	171,379,564
Total assets	161,408,097	174,853,573	61,516,234	62,664,423	222,924,331	237,517,996
Noncurrent liabilities	47,798,835	49,755,919	359,730	302,639	48,158,565	50,058,558
Other liabilities	8,197,240	9,062,971	795,742	911,015	8,992,982	9,973,986
Total liabilities	55,996,075	58,818,890	1,155,472	1,213,654	57,151,547	60,032,544
Net assets:						
Invested in capital assets,						
net of related debt	101,912,476	103,120,070	43,477,996	44,301,036	145,390,472	147,421,106
Restricted	6,694,969	4,597,310			6,694,969	4,597,310
Unrestricted	(3,195,423)	8,317,303	16,882,766	17,149,733	13,687,343	25,467,036
Total net assets	\$ 105,412,022	\$ 116,034,683	\$ 60,360,762	\$ 61,450,769	\$ 165,772,784	\$ 177,485,452

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

**Analysis of the City's Operations** – Governmental activities decreased the City's net assets by \$10,622,661. Total governmental activities revenues decreased \$3,927,174. The most significant changes in revenue include a decrease in capital grants and contributions of \$1,260,458 due to less reimbursement of construction from the Dallas Area Rapid Transit Authority (DART) as the projects funded by them have decreased and less revenue from special assessments as more have been paid in full in prior years. Charges for services decreased by \$1,250,046 due to a change in the landfill contract for closure/postclosure eliminating payments from the contractor to the City for this purpose. There was a reduction in building permit revenue as new construction in the community was reduced. Investment income decreased by \$1,012,022 due to lower interest rates and smaller average invested balances. Sales and use taxes and hotel/motel taxes were reduced \$1,079,722 due to less consumer spending and business travel. Governmental activities expenses increased \$5,042,046. The majority of this increase was due to road resurfacing and repairs done by the City's public works department. Net transfers increased by \$2,151,433 between the governmental and business-type activities from fiscal year 2008 to fiscal year 2009. The reasons for this increase were that no capital contributions were made from the governmental activities to the business-type activities in fiscal year 2009 while in fiscal year 2008 \$1,291,333 was transferred. Additionally, in fiscal year 2009, a transfer of \$700,000 from the business-type activities was made to the governmental activities to maintain targeted general fund balance levels. This also contributed to the decrease in the business-type activities net assets of \$1,090,007.

## CHANGES IN NET ASSETS

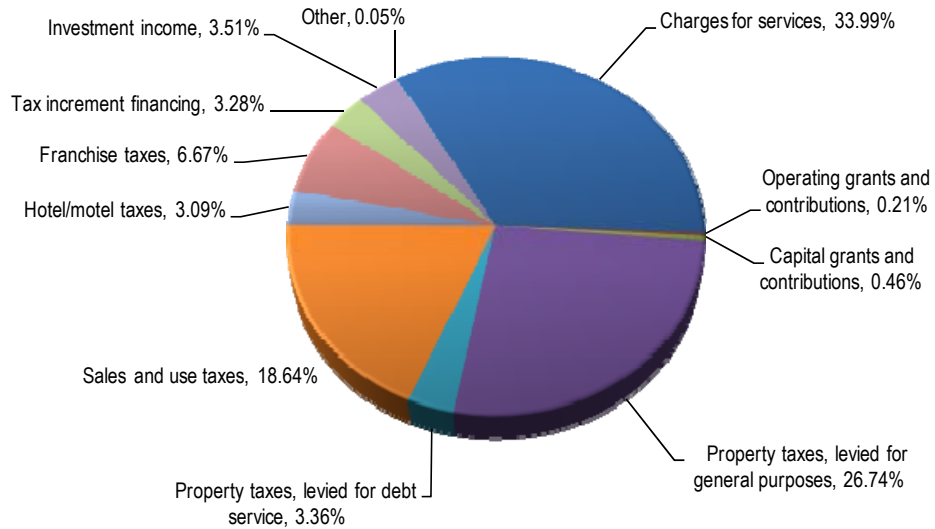
	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 7,535,552	\$ 8,785,598	\$ 14,188,751	\$ 13,541,391	\$ 21,724,303	\$ 22,326,989
Operating grants and contributions	134,927	309,283			134,927	309,283
Capital grants and contributions	292,271	1,552,729			292,271	1,552,729
General revenues:						
Taxes:						
Property taxes, levied for general purposes	17,087,985	16,646,283			17,087,985	16,646,283
Property taxes, levied for debt service	2,147,917	2,139,338			2,147,917	2,139,338
Sales and use taxes	11,912,047	12,458,643			11,912,047	12,458,643
Hotel/motel taxes	1,974,308	2,507,434			1,974,308	2,507,434
Franchise taxes	4,262,868	4,563,747			4,262,868	4,563,747
Tax increment financing	2,095,651	1,209,842			2,095,651	1,209,842
Investment income	1,998,392	3,010,414	248,022	428,409	2,246,414	3,438,823
Other	36,787	222,568	25,716	22,749	62,503	245,317
Total revenues	49,478,705	53,405,879	14,462,489	13,992,549	63,941,194	67,398,428
Expenses:						
General government	11,487,397	12,551,044			11,487,397	12,551,044
Public safety	21,375,045	20,503,576			21,375,045	20,503,576
Public works	16,056,692	11,198,781			16,056,692	11,198,781
Culture and recreation	12,837,081	12,327,383			12,837,081	12,327,383
Interest on long-term debt	1,662,921	1,696,424			1,662,921	1,696,424
Unallocated depreciation	32,530	132,412			32,530	132,412
Water and sewer			12,202,196	11,653,500	12,202,196	11,653,500
Total expenses	63,451,666	58,409,620	12,202,196	11,653,500	75,653,862	70,063,120
Increase (decrease) in net assets before transfer	(13,972,961)	(5,003,741)	2,260,293	2,339,049	(11,712,668)	(2,664,692)
Transfers	3,350,300	1,198,867	(3,350,300)	(1,198,867)		
Increase (decrease) in net assets	(10,622,661)	(3,804,874)	(1,090,007)	1,140,182	(11,712,668)	(2,664,692)
Net assets--beginning	116,034,683	119,839,557	61,450,769	60,310,587	177,485,452	180,150,144
Net assets--ending	\$ 105,412,022	\$ 116,034,683	\$ 60,360,762	\$ 61,450,769	\$ 165,772,784	\$ 177,485,452



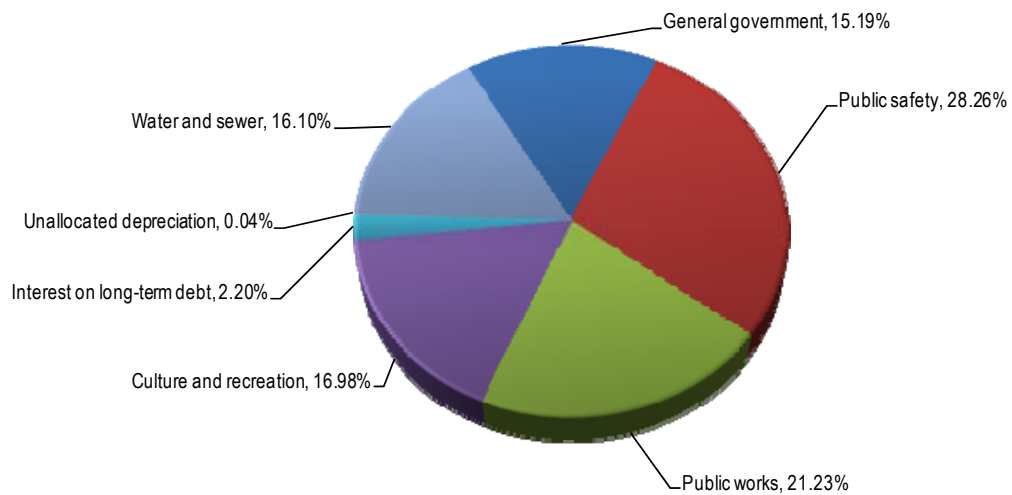
## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

### Total Sources of Revenue



### Total Expenses by Activity



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

### *FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS*

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,291,769. Fifty-eight percent (58%) or \$15,791,814 of this total is restricted due to external limitations on its use. These uses include construction of capital assets for \$3,421,664, landfill closure/postclosure costs of \$8,474,443, special purposes for \$3,127,104, and law enforcement purposes of \$768,603. One percent (1%) or \$351,306 of fund balance is considered unspendable because it has been used for advances (\$200,000), inventory (\$4,931), and prepaid items (\$146,375). Thirteen percent (13%) or \$3,478,076 has been committed or assigned meaning there are limitations resulting from its intended use. \$40,277 has been committed to the special incentives program. The assigned uses include construction of capital assets (\$2,113,209), purchase of other capital assets (\$680,460), payment of debt service (\$223,766), and for other purposes (\$420,364). The remaining twenty-eight percent (28%) or \$7,670,573 is unassigned.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,670,573, while total fund balance was \$8,829,049. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16 percent of total general fund expenditures, while total fund balance represents 19 percent of that same amount.

General fund revenues were lower than budgeted in every category as the impact of the sluggish economy proved greater than expected. The result was that fund balance decreased by \$212,436. The decrease would have been larger except that transfers were made into the general fund from the non-bond capital projects fund in the amount of \$1,587,500 and from the water and sewer fund in the amount of \$700,000. These were done to adjust fund balances to targeted levels.

Landfill closure/postclosure fund balance increased \$84,660 as investment income exceeded expenditures for the gas collection system. Non-bond capital projects fund balance decreased \$3,911,225 due primarily to capital construction and a transfer to the general fund.

**Proprietary Funds** - The City's water and sewer fund is one component of proprietary funds. The water and sewer fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the water and sewer fund were \$16,810,022 of which \$8,209,345 is intended for capital improvements. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for equipment services and the City's workers' compensation self-insurance program. Because both of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

**General Fund Budgetary Highlights** - During the fiscal year ended September 30, 2009, the City Council adopted amendments to the budget. As the impact of the sluggish economy continued, budgeted general fund revenues were decreased by \$2,059,100. The property tax budget was reduced \$550,000 primarily due to successful property value lawsuit protests on commercial real property. Fines and forfeitures budgeted revenue was decreased by \$400,000 due to smaller than anticipated court receipts. Budgeted investment income was decreased \$350,000 as interest rates remained low. The budget for licenses and permits was decreased by approximately \$300,000 due to a decrease in building permit revenues as new construction fell. To partially offset the decreased revenues, total budgeted expenditures were decreased by \$1,076,200 mainly by reducing capital asset expenditures. Additionally, the budget for transfers in was increased by \$1,700,000 from the non-bond capital projects fund and \$700,000 from the water and sewer fund.

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

### CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2009, amounts to \$170,016,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

#### Completed Projects

- Street and utility reconstruction of Senlac Drive and Benchmark Drive for \$3,540,000.
- Construction of the new Animal Shelter for about \$2,350,000.
- Utility improvements to water and sanitary sewer lines of \$2,190,000.
- Construction of Liberty and Chapel View Plazas for \$640,000.

#### Amounts Spent for Ongoing Projects

- Utility improvements to water and sanitary sewer lines for about \$1,830,000.
- Infrastructure improvements in TIF No. 1 District for about \$2,930,000.

#### Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 40,493,598	\$ 40,430,180	\$ 603,364	\$ 603,364	\$ 41,096,962	\$ 41,033,544
Buildings	36,256,488	34,810,758	3,024,853	3,301,515	39,281,341	38,112,273
Equipment	7,650,564	8,392,555	1,306,665	1,192,474	8,957,229	9,585,029
Improvements	4,438,975	4,100,723	5,414	6,961	4,444,389	4,107,684
Infrastructure	34,185,012	33,687,523	36,774,029	35,101,213	70,959,041	68,788,736
Construction in progress	3,449,592	5,347,031	1,827,660	4,405,267	5,277,252	9,752,298
Total	<u>\$ 126,474,229</u>	<u>\$ 126,768,770</u>	<u>\$ 43,541,985</u>	<u>\$ 44,610,794</u>	<u>\$ 170,016,214</u>	<u>\$ 171,379,564</u>

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.C).

### DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$14,765,000. Of this amount, \$5,380,000 comprises bonded debt backed by the full faith and credit of the government and \$9,385,000 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars and is backed by the full faith and credit of the government. The developer advances of \$10,468,887 represent a loan to the City for capital project costs payable only from Tax Increment Financing District No. 1 funds.

#### Outstanding Debt at Year-End

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 5,380,000	\$ 7,290,000
Special revenue bonds	9,385,000	9,920,000
Developer advances	10,468,887	11,601,824
Total	<u>\$ 25,233,887</u>	<u>\$ 28,811,824</u>

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2009  
(Unaudited)

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investors Service	Date Confirmed	Standard & Poor's	Date Confirmed
General obligation bonds				
2002 Refunding	Aa3	July 20, 2006	AA+	February 9, 2009
2007 Certificates of obligation (bank issue)	Not Rated	n/a	Not Rated	n/a
Special revenue bonds				
1999 Hotel occupancy tax	Aa3	July 20, 2006	AA+	February 9, 2009
2004 Combination tax and revenue (insured MBIA)	B3	June 25, 2009	BB+	September 28, 2009

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.E).

### *ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES*

In the fiscal year 2010 budget, general fund revenues are budgeted to increase by 3.2% which is down from the 3.7% increase projected for fiscal year 2009. General fund property taxes make up about 41.3% of general fund budgeted revenues and are projected to increase 6.3% from fiscal year 2009. The is due to a tax rate increase from \$.4945 to \$.5195 per \$100 of assessed property tax value and an increase in certified values. Budgeted revenues for the water and sewer fund are projected to increase 5.4%. No water and sewer rate increase is proposed.

General fund expenditures are budgeted to increase 4.7% in fiscal year 2010. Increased costs include providing for an expected 5% increase in health insurance, increased employee retirement system funding, and renewed replacement capital asset funding.

### *REQUEST FOR INFORMATION*

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail [charles.cox@farmersbranch.info](mailto:charles.cox@farmersbranch.info).

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash, cash equivalents, and investments	\$ 28,187,957	\$ 9,353,294	\$ 37,541,251	\$ 74,535
Receivables, net of allowance for doubtful accounts	6,376,950	2,499,156	8,876,106	757
Internal balances	(72,744)	72,744		
Inventory of materials and supplies	68,564		68,564	
Deposits	32,000		32,000	
Prepaid items	151,422	60,512	211,934	
Investment in joint venture		5,988,543	5,988,543	
Deferred charges	189,719		189,719	
Capital assets:				
Nondepreciable	43,943,190	2,431,024	46,374,214	
Depreciable, net of accumulated depreciation	82,531,039	41,110,961	123,642,000	
Total assets	161,408,097	61,516,234	222,924,331	75,292
LIABILITIES				
Accounts payable and accrued liabilities	3,243,854	633,826	3,877,680	
Accrued interest payable	4,064,183		4,064,183	
Deposits payable	753,136	154,300	907,436	
Unearned revenue	117,485		117,485	
Retainage payable	18,582	7,616	26,198	
Noncurrent liabilities:				
Due within one year	3,990,743	43,978	4,034,721	
Due in more than one year	43,808,092	315,752	44,123,844	
Total liabilities	55,996,075	1,155,472	57,151,547	
NET ASSETS				
Invested in capital assets, net of related debt	101,912,476	43,477,996	145,390,472	
Restricted for:				
Construction of capital assets	2,794,331		2,794,331	
Special purposes	3,132,035		3,132,035	
Law enforcement	768,603		768,603	
Unrestricted	(3,195,423)	16,882,766	13,687,343	75,292
Total net assets	\$ 105,412,022	\$ 60,360,762	\$ 165,772,784	\$ 75,292

CITY OF FARMERS BRANCH, TEXAS

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 11,487,397	\$ 641,373	\$ 15,560	\$
Public safety	21,375,045	3,840,336	85,807	50,000
Public works	16,056,692	2,202,169	750	220,024
Culture and recreation	12,837,081	851,674	32,810	22,247
Interest on long-term debt	1,662,921			
Unallocated depreciation	32,530			
Total governmental activities	63,451,666	7,535,552	134,927	292,271
Business-type activities:				
Water and sewer	12,202,196	14,188,751		
Total business-type activities	12,202,196	14,188,751		
Total primary government	\$ 75,653,862	\$ 21,724,303	\$ 134,927	\$ 292,271
<b>Component units:</b>				
Industrial development corporation	\$ 1,351	\$	\$	\$
Farmers Branch local government corporation	251			
Total component units	\$ 1,602	\$	\$	\$
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales and use taxes				
Hotel/motel taxes				
Franchise taxes				
Tax increment financing				
Investment income				
Gain on sale of capital assets/insurance recoveries				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets--beginning				
Net assets--ending				

The accompanying notes are an integral part of the financial statements.

Exhibit A-2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (10,830,464)	\$	\$ (10,830,464)	
(17,398,902)		(17,398,902)	
(13,633,749)		(13,633,749)	
(11,930,350)		(11,930,350)	
(1,662,921)		(1,662,921)	
(32,530)		(32,530)	
(55,488,916)		(55,488,916)	
	1,986,555	1,986,555	
	1,986,555	1,986,555	
\$ (55,488,916)	\$ 1,986,555	\$ (53,502,361)	
			\$ (1,351)
			(251)
			\$ (1,602)
17,087,985		17,087,985	
2,147,917		2,147,917	
11,912,047		11,912,047	
1,974,308		1,974,308	
4,262,868		4,262,868	
2,095,651		2,095,651	
1,998,392	248,022	2,246,414	42,216
36,787	25,716	62,503	
3,350,300	(3,350,300)		
44,866,255	(3,076,562)	41,789,693	42,216
(10,622,661)	(1,090,007)	(11,712,668)	40,614
116,034,683	61,450,769	177,485,452	34,678
\$ 105,412,022	\$ 60,360,762	\$ 165,772,784	\$ 75,292

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009

	General	Landfill Closure/ Postclosure	Non-Bond Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents, and investments	\$ 8,071,645	\$ 8,464,579	\$ 2,231,380	\$ 8,309,313	\$ 27,076,917
Receivables, net	5,116,908		572,705	510,978	6,200,591
Accrued interest and other	48,777	42,989	22,681	57,083	171,530
Due from other funds	7,250				7,250
Inventories				4,931	4,931
Advances to other funds			200,000		200,000
Prepaid items	17,375		129,000		146,375
Total assets	<u>\$ 13,261,955</u>	<u>\$ 8,507,568</u>	<u>\$ 3,155,766</u>	<u>\$ 8,882,305</u>	<u>\$ 33,807,594</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,694,574	\$ 33,125	\$ 62,701	\$ 278,108	\$ 3,068,508
Deposits payable	44,436		163,600	545,100	753,136
Arbitrage payable				14,108	14,108
Due to other funds				7,250	7,250
Deferred revenue	1,678,429		487,256	288,556	2,454,241
Advances from other funds				200,000	200,000
Retainage payable	15,467			3,115	18,582
Total liabilities	<u>4,432,906</u>	<u>33,125</u>	<u>713,557</u>	<u>1,336,237</u>	<u>6,515,825</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Advances			200,000		200,000
Inventory				4,931	4,931
Prepaid items	17,375		129,000		146,375
<b>Restricted for:</b>					
Construction of capital assets				3,421,664	3,421,664
Landfill closure/postclosure		8,474,443			8,474,443
Special purposes				3,127,104	3,127,104
Law enforcement				768,603	768,603
<b>Committed to:</b>					
Special incentives	40,277				40,277
<b>Assigned to:</b>					
Construction of capital assets			2,113,209		2,113,209
Other capital assets	680,460				680,460
Debt service				223,766	223,766
Other purposes	420,364				420,364
Unassigned	7,670,573				7,670,573
Total fund balances	<u>8,829,049</u>	<u>8,474,443</u>	<u>2,442,209</u>	<u>7,546,068</u>	<u>27,291,769</u>
Total liabilities and fund balances	<u>\$ 13,261,955</u>	<u>\$ 8,507,568</u>	<u>\$ 3,155,766</u>	<u>\$ 8,882,305</u>	<u>\$ 33,807,594</u>

The accompanying notes are an integral part of the financial statements.



RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009

---

Total Fund Balances - Total Governmental Funds: \$ 27,291,769

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported in the governmental funds balance sheet (net of internal service fund assets of \$305,418). 126,168,811

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. 2,336,756

Internal service funds are used by management to charge the cost of certain activities, such as fleet management and workers' compensation, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities of \$72,744). 951,178

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable and developer advances	\$ (25,233,887)	
Less deferred interest from refunding and bond discount amortization	31,081	
Less deferred charges	189,719	
Accrued interest	(4,064,183)	
Compensated absences (net of internal service fund \$59,712)	(6,541,516)	
TMRS liability	(932,428)	
OPEB liability (net of internal service fund of \$3,107)	(227,596)	
Landfill liability	(14,557,682)	
Combined adjustment		(51,336,492)
Net assets of governmental activities		<u>\$ 105,412,022</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	General	Landfill Closure/ Postclosure	Non-Bond Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 17,094,215	\$	\$	\$ 2,162,151	\$ 19,256,366
Sales and use taxes	11,912,047				11,912,047
Hotel/motel taxes				1,974,308	1,974,308
Franchise taxes	4,338,892				4,338,892
Tax increment financing				2,097,654	2,097,654
Licenses and permits	485,241				485,241
Charges for services	4,360,812				4,360,812
Fines and forfeitures	2,115,780			460,390	2,576,170
Special assessments			587,540		587,540
Investment income	661,046	227,675	120,222	970,949	1,979,892
Intergovernmental			124,197	197,450	321,647
Miscellaneous	78,500			55,498	133,998
Total revenues	41,046,533	227,675	831,959	7,918,400	50,024,567
<b>EXPENDITURES</b>					
Current:					
General government	9,801,506			136,311	9,937,817
Public safety	19,983,636			502,591	20,486,227
Public works	6,857,651	143,015		713	7,001,379
Culture and recreation	10,043,451			1,570,878	11,614,329
Debt service:					
Principal retirement				3,577,937	3,577,937
Interest and fiscal agent charges				789,523	789,523
Capital outlay			3,155,684	7,922,823	11,078,507
Total expenditures	46,686,244	143,015	3,155,684	14,500,776	64,485,719
Excess (deficiency) of revenues over (under) expenditures	(5,639,711)	84,660	(2,323,725)	(6,582,376)	(14,461,152)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,329,790			1,078,700	6,408,490
Transfers out			(1,587,500)	(1,470,690)	(3,058,190)
Sale of capital assets/insurance recoveries	97,485				97,485
Total other financing sources (uses)	5,427,275		(1,587,500)	(391,990)	3,447,785
Net change in fund balances	(212,436)	84,660	(3,911,225)	(6,974,366)	(11,013,367)
Fund balances--beginning	9,041,485	8,389,783	6,353,434	14,520,434	38,305,136
Fund balances--ending	\$ 8,829,049	\$ 8,474,443	\$ 2,442,209	\$ 7,546,068	\$ 27,291,769

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds \$ (11,013,367)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$5,285,406) were less than depreciation (\$5,492,594) in the current period. (207,188)

The net effect of the various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (34,642)

Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase/(decrease) during the current year in deferred revenue that is earned, but not collected.

Property tax revenue	\$ (20,464)	
Franchise taxes	(76,024)	
Tax increment financing	(2,003)	
Special assessments	(529,816)	
Ambulance revenue	27,158	
Net adjustment		(601,149)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the government-wide statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayments:

To bond holders	\$ 2,445,000	
To developer advances	1,132,937	
Net adjustment		3,577,937

Some expenses reported in the government-wide statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ (279,305)	
TMRS liability	(932,428)	
OPEB liability	(227,596)	
Difference in debt-related amortizations	(32,428)	
Accrued interest on long-term debt	(864,767)	
Landfill liability	(357,516)	
Net adjustment		(2,694,040)

Internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers' compensation, to individual funds. The net income/(loss) of the internal service funds is reported with governmental activities (net of amount allocated to business-type activities of \$65,448).

349,788

Change in net assets of governmental activities: \$ (10,622,661)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 17,775,000	\$ 17,225,000	\$ 17,094,215	\$	\$ 17,094,215	\$ (130,785)
Sales and use tax	12,660,200	12,660,200	11,912,047		11,912,047	(748,153)
Franchise taxes	4,973,000	4,725,000	4,338,892		4,338,892	(386,108)
Licenses and permits	817,000	531,000	485,241		485,241	(45,759)
Charges for services	4,616,200	4,412,200	4,360,812		4,360,812	(51,388)
Fines and forfeitures	2,627,000	2,229,000	2,115,780		2,115,780	(113,220)
Investment income	1,083,000	733,000	661,046		661,046	(71,954)
Miscellaneous	118,000	94,900	78,500		78,500	(16,400)
Total revenues	44,669,400	42,610,300	41,046,533		41,046,533	(1,563,767)
EXPENDITURES						
Current:						
General government	9,836,200	9,937,600	9,801,506	(104,566)	9,696,940	240,660
Public safety	19,816,100	19,544,900	19,983,636	(533,746)	19,449,890	95,010
Public works	7,164,300	6,598,800	6,857,651	(450,230)	6,407,421	191,379
Culture and recreation	10,604,900	10,264,000	10,043,451	(101,500)	9,941,951	322,049
Total expenditures	47,421,500	46,345,300	46,686,244	(1,190,042)	45,496,202	849,098
Deficiency of revenues under expenditures	(2,752,100)	(3,735,000)	(5,639,711)	1,190,042	(4,449,669)	(714,669)
OTHER FINANCING SOURCES						
Transfers in	2,976,500	5,376,500	5,329,790		5,329,790	(46,710)
Sale of capital assets/insurance recoveries	171,500	171,500	97,485		97,485	(74,015)
Total other financing sources	3,148,000	5,548,000	5,427,275		5,427,275	(120,725)
Net change in fund balance	395,900	1,813,000	(212,436)	1,190,042	977,606	(835,394)
Fund balances--beginning	7,311,702	7,311,702	9,041,485	(1,729,783)	7,311,702	
Fund balances--ending	\$ 7,707,602	\$ 9,124,702	\$ 8,829,049	\$ (539,741)	\$ 8,289,308	\$ (835,394)
Explanation of differences:						
Expenditures of amounts encumbered at September 30, 2008					\$ 1,718,388	
Encumbrances outstanding at September 30, 2009 are considered an assignment of fund balance for GAAP basis reporting but recognized as expenditures for budget purposes					(528,346)	
Net decrease in fund balance - GAAP to budget					\$ 1,190,042	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - LANDFILL CLOSURE/POSTCLOSURE FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment income	\$ 250,000	\$ 250,000	\$ 227,675	\$	\$ 227,675	\$ (22,325)
Total revenues	250,000	250,000	227,675		227,675	(22,325)
EXPENDITURES						
Current:						
Public works		532,000	143,015		143,015	388,985
Total expenditures		532,000	143,015		143,015	388,985
Excess (deficiency) of revenues over (under) expenditures	250,000	(282,000)	84,660		84,660	366,660
Fund balances--beginning	8,389,783	8,389,783	8,389,783		8,389,783	
Fund balances--ending	\$ 8,639,783	\$ 8,107,783	\$ 8,474,443	\$	\$ 8,474,443	\$ 366,660

The accompanying notes are an integral part of the financial statements.

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2009

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents, and investments	\$ 9,353,294	\$ 1,111,040
Receivables, net	2,452,326	4,829
Accrued interest and other	46,830	
Inventories		63,633
Prepaid items	60,512	5,047
Deposits		32,000
Total current assets	11,912,962	1,216,549
Noncurrent assets:		
Investment in joint venture	5,988,543	
Capital assets:		
Nondepreciable	2,431,024	8,170
Depreciable, net of accumulated depreciation	41,110,961	297,248
Capital assets, net of accumulated depreciation	43,541,985	305,418
Total noncurrent assets	49,530,528	305,418
Total assets	61,443,490	1,521,967
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	633,826	161,238
Retainage payable	7,616	
Claims payable		118,092
Compensated absences	43,978	29,243
Deposits payable	154,300	
Total current liabilities	839,720	308,573
Noncurrent liabilities:		
Claims payable		155,896
Compensated absences	298,663	30,469
OPEB liability	17,089	3,107
Total noncurrent liabilities	315,752	189,472
Total liabilities	1,155,472	498,045
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	43,477,996	305,418
Unrestricted	16,810,022	718,504
Total net assets	\$ 60,288,018	\$ 1,023,922
Reconciliation to government-wide statement of net assets:		
Adjustment to reflect the consolidation of internal service fund activities related to the water and sewer fund	72,744	
Net assets of business-type activities	\$ 60,360,762	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
Operating revenues		
Charges for services	\$ 14,185,971	\$ 2,182,062
Contributions and miscellaneous	2,780	471,616
Total operating revenues	14,188,751	2,653,678
Operating expenses		
Personal services	1,842,389	608,863
Materials and supplies	250,047	1,306,036
Maintenance and utilities	1,527,874	265,477
Purchase of water	4,487,328	
Sewage treatment	1,872,221	
Depreciation	2,219,998	58,066
Total operating expenses	12,199,857	2,238,442
Operating income	1,988,894	415,236
Nonoperating revenues (expenses)		
Investment income	248,022	
Loss of the joint venture	(67,787)	
Gain on sale of capital assets	25,716	
Total nonoperating revenue	205,951	
Income before transfers	2,194,845	415,236
Transfers out	(3,350,300)	
Change in net assets	(1,155,455)	415,236
Net assets--beginning	61,443,473	608,686
Net assets--ending	\$ 60,288,018	\$ 1,023,922
Reconciliation to government-wide statement of net assets:		
Change in net assets	\$ (1,155,455)	
Adjustment to reflect the consolidation of internal service fund activities related to the water and sewer fund	65,448	
Change in net assets of business-type activities	\$ (1,090,007)	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 13,959,496	\$
Receipts from interfund services provided		2,648,849
Payments to suppliers	(7,926,252)	(1,506,236)
Payments to employees	(1,727,508)	(588,391)
Payments for loss claims		(414,585)
Payments for interfund services	(337,771)	
Net cash provided by operating activities	3,967,965	139,637
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(3,350,300)	
Net cash used by noncapital financing activities	(3,350,300)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,167,908)	(5,355)
Proceeds from sale of capital assets	42,435	
Net cash used by capital and related financing activities	(1,125,473)	(5,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	489,553	
Investment income	258,120	
Net cash provided by investing activities	747,673	
Net increase in cash and cash equivalents	239,865	134,282
Cash and cash equivalents - beginning of year	113,874	976,758
Cash and cash equivalents - end of year	\$ 353,739	\$ 1,111,040
Cash and cash equivalents - end of year	\$ 353,739	\$ 1,111,040
Investments	8,999,555	
Cash, cash equivalents, and investments - end of year	\$ 9,353,294	\$ 1,111,040
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss of the joint venture	\$ (67,787)	

The accompanying notes are an integral part of the financial statements.

(continued)



STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 1,988,894	\$ 415,236
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	2,219,998	58,066
Change in assets and liabilities:		
Increase in receivables	(211,597)	(4,829)
Decrease in inventory of materials and supplies		25,130
(Increase) decrease in prepaid items	28,852	(1,305)
Decrease in accounts payable	(31,271)	
Decrease in accrued liabilities		(168,038)
Decrease in retainage payable	(66,344)	
Decrease in claims payable		(204,406)
Decrease in deposits payable	(17,658)	
Increase in OPEB liability	17,089	3,107
Increase in accrued compensated absences	40,002	16,676
Net cash provided by operating activities	<u>\$ 3,967,965</u>	<u>\$ 139,637</u>

The accompanying notes are an integral part of the financial statements.

(concluded)

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government; most component units are discretely presented. The City has no blended component units; however, discretely presented component units and the joint venture, which all have a September 30 year-end, are as follows:

Discretely Presented Component Units

The Farmers Branch Housing Finance Corporation ("Housing Corporation") was created for the special purpose of providing a financing mechanism for the development and ownership of residential and multi-family housing initiatives. The members of the Housing Corporation Board are appointed by the City Council. Thus, the Housing Corporation is a part of the City's reporting entity. The Housing Corporation has placed all mortgage loans and pledged related collateral and credit enhancements with a trustee in an irrevocable trust. Solely the revenues received from the organizations on whose behalf they were issued secure the conduit bonds, which do not constitute indebtedness of the City nor the Housing Corporation, and the City assumes no responsibility for the operating expenses of the Housing Corporation. Accordingly, the conduit bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2009, there were two series of Single Family Mortgage Revenue Bonds outstanding, Series 1996 and Series 1999, with principal amounts payable of \$90,000 and \$76,940, respectively. The Housing Corporation had no revenues or expenditures and has no assets, liabilities or fund balance as of September 30, 2009; therefore, no financial statements have been presented.

The Farmers Branch Industrial Development Corporation ("Development Corporation") was created for the special purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of the City. The members of the Development Corporation Board are appointed by the City Council. The Development Corporation's financial activities are discretely presented in the City's financial statements as a governmental fund. The Development Corporation is authorized to issue industrial development revenue bonds after approval by the City Council. The Development Corporation has issued conduit bonds that have fully matured in previous years. Complete financial statements of the Development Corporation can be obtained from the City's finance department.

The Farmers Branch Local Government Corporation ("FBLGC") was organized for the purpose of aiding, assisting, and acting on behalf of the City in the exercise of its powers to accomplish any governmental purpose of the City and in the promotion of the common good and general welfare of the City including, without limitation, the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. The board members of the FBLGC are appointed by the City Council. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. Complete financial statements of the FBLGC can be obtained from the City's finance department.

Joint Venture

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net assets in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was \$5,988,543 at September 30, 2009. Complete financial statements for the NDCWSC can be obtained from the City's finance department.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

---

**B. Basic Financial Statements**

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property, franchise, sales and hotel occupancy taxes and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *landfill closure/postclosure fund* is used to account for future landfill costs.

The *non-bond capital projects fund* is used to account for the acquisition and construction of major capital facilities.

The City reports the following major proprietary fund:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

---

The City reports the following internal service funds:

The *internal service funds* are used to account for equipment services and the City's workers' compensation self-insurance program for the departments of the City on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When fund balance resources are available for a specific purpose in more than one classification, it is the City of Farmers Branch's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1) Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand. Investments are recorded at fair value, except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost. Fair value is based on quoted market prices.

**2) Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2009.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

3) Inventories and Prepaid Items

Inventories are stated at the lower of average cost or market for the internal service funds and at average cost for the special revenue funds. Inventories are recorded as assets when purchased and charged to operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4) Capital Assets

Capital assets, which include land, buildings, equipment, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), purchased or acquired, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of \$26,030 were received for the year ended September 30, 2009. They are included as an "other financing source" in the general fund. A capitalization threshold of \$5,000 is used for all capital assets. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	30 - 50	years
Equipment	5 - 30	years
Improvements	20	years
Infrastructure	15 - 62.5	years

5) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, a maximum of 720 hours of sick pay is paid for 40 hours per week employees or 1,080 hours for 56 hours per week employees hired before October 1, 1992. Upon retirement or termination, employees hired on October 1, 1992 or later with five years or less of service will be paid a maximum of 120 hours of sick pay for 40 hours per week employees or 180 hours for 56 hours per week employees. Upon retirement or termination, employees hired on October 1, 1992 or later with more than five years of service will be paid a maximum of 240 hours of sick pay for 40 hours per week employees or 360 hours for 56 hours per week employees.

6) Fund Equity

Beginning with fiscal year 2009, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

The governmental activities unrestricted net assets has a negative balance of \$3,195,423 at September 30, 2009. The City plans to gradually eliminate this negative balance by expanding the current landfill and therefore extending the closure period liability for 40 additional years. Also, the liability for the Texas Municipal Retirement System (TMRS) will be eliminated at the end of the eight year phase-in period and the changes to the retiree health plan for employees hired after January 1, 2007 will ultimately reduce the other postemployment benefits (OPEB) liability.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

## 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Budgetary Information

*Budget Policy* – By August 1 of each fiscal year, the City Manager submits an annual budget to the City Council. Annual operating budgets are prepared on a budgetary basis for all governmental funds, whereby year-end encumbrances are recognized as expenditures in the current year budget. Budgetary data for the capital projects funds has not been presented in these statements as these funds are budgeted over the life of the respective project and not on an annual basis. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year on October 1. Once the budget is approved, the City Manager is authorized to transfer unencumbered appropriations within each department. City Council approval is necessary for transfers of unencumbered appropriations between departments, functions and funds. Special revenue funds are budgeted at the function level.

*Budgetary Data* – Budget amounts presented in the general fund's and landfill closure/postclosure fund's "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" reflect the original budget and the amended budget (which has been adjusted for legally authorized revisions to the annual budget during the year). Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

During the year certain budget amendments were required as projected revenues were lower than anticipated due to the sluggish economy. The general fund budgeted expenditures were decreased by \$1,076,200. The majority of this decrease was due to a reduction in capital asset purchases by \$907,800. Additionally, transfers to the general fund were increased by \$1,700,000 from the non-bond capital projects fund and \$700,000 from the water and sewer fund to adjust fund balances to targeted levels. Budgeted expenditures in the landfill closure/postclosure fund increased \$532,000 to continue construction of a gas collection system.

### Excess of Expenditures over Appropriations

For the year ended September 30, 2009, expenditures in the general fund's general government communications division exceeded appropriations by \$21,418 due to purchase of a capital asset for which the budget was allocated over two years creating a negative variance in the year of purchase. Available fund balance was sufficient to provide for the excess expenditure.

## 3. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

At year-end, the carrying amount of the City's deposits was (\$677,958) and the bank balance was \$115,333. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the component units' deposits were \$74,535 and the bank balances were \$74,535. The bank balances were completely covered by federal depository insurance.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

The City elects to exclude investments with maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. As of September 30, 2009, the City had the following investments:

Description	Reported Amount	Fair Value	Weighted Average Maturity (in days)
Federal Home Loan Bank Notes	\$ 13,947,828	\$ 13,964,339	193
Certificates of Deposit Account Registry	18,657,750	18,657,750	155
Repurchase Agreements	3,381,915	3,381,915	1
Federal Farm Credit Bank Notes	1,552,500	1,552,500	330
Fannie Mae Notes	679,216	679,216	1,895
Total Investments	<u>\$ 38,219,209</u>	<u>\$ 38,235,720</u>	
Portfolio Weighted Average Maturity			193

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

*Credit Risk.* The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments in the bonds of U.S. agencies were rated Aaa by Moody's Investors Service and AAA by Standard and Poor's.

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 48.99% invested in Certificates of Deposit Account Registry and 36.44% invested in Federal Home Loan Bank as of September 30, 2009. The remaining 14.57% of the City's investments is invested in U.S. government issues or U.S. guaranteed obligations.

Cash and cash equivalents are reported at cost. Total deposits and investments are presented on the Statement of Net Assets as:

	Primary Government	Component Units	Reporting Entity
Cash, cash equivalents, and investments	\$ 37,541,251	\$ 74,535	\$ 37,615,786

**B. Receivables**

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Non-Bond Capital Projects	Nonmajor Governmental	Internal Service	Water and Sewer	Total
Receivables:						
Property tax	\$ 944,273	\$	\$ 239,195	\$	\$	\$ 1,183,468
Other taxes	3,676,624		203,312			3,879,936
Accounts	1,662,840		79,887	4,829	923,607	2,671,163
Unbilled accounts					1,610,201	1,610,201
Assessments		586,223	544			586,767
Gross receivables	6,283,737	586,223	522,938	4,829	2,533,808	9,931,535
Less: Allowance for uncollectibles	(1,166,829)	(13,518)	(11,960)		(81,482)	(1,273,789)
Net total receivables	\$ 5,116,908	\$ 572,705	\$ 510,978	\$ 4,829	\$ 2,452,326	\$ 8,657,746

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

C. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and right-of-way	\$ 40,430,180	\$ 63,418	\$	\$ 40,493,598
Construction in progress	5,347,031	664,389		3,449,592
Total capital assets, not being depreciated	45,777,211	727,807		43,943,190
Capital assets, being depreciated				
Improvements	7,992,067	583,160		8,687,772
Buildings	42,135,501	1,991,902		44,393,695
Equipment	21,671,868	1,434,348	(609,909)	22,496,307
Infrastructure	88,920,872	572,045	(175,401)	91,500,507
Total capital assets, being depreciated	160,720,308	4,581,455	(785,310)	167,078,281
Less accumulated depreciation for:				
Improvements	(3,891,344)	(357,453)		(4,248,797)
Buildings	(7,324,743)	(812,464)		(8,137,207)
Equipment	(13,279,313)	(2,123,196)	556,766	(14,845,743)
Infrastructure	(55,233,349)	(2,257,547)	175,401	(57,315,495)
Total accumulated depreciation	(79,728,749)	(5,550,660)	732,167	(84,547,242)
Total capital assets, being depreciated, net	80,991,559	(969,205)	(53,143)	82,531,039
Governmental activities capital assets, net	\$ 126,768,770	\$ (241,398)	\$ (53,143)	\$ 126,474,229
Business-type activities:				
Capital assets, not being depreciated:				
Land and right-of-way	\$ 603,364	\$	\$	\$ 603,364
Construction in progress	4,405,267	345,173		1,827,660
Total capital assets, not being depreciated	5,008,631	345,173		2,431,024
Capital assets, being depreciated:				
Improvements	23,206			23,206
Buildings	8,789,650		(5,648)	8,784,002
Equipment	2,964,011	359,615	(209,268)	3,114,358
Infrastructure	71,856,454	514,599	(591,492)	74,702,341
Total capital assets, being depreciated	83,633,321	874,214	(806,408)	86,623,907
Less accumulated depreciation for:				
Improvements	(16,245)	(1,547)		(17,792)
Buildings	(5,488,135)	(276,662)	5,648	(5,759,149)
Equipment	(1,771,537)	(245,424)	209,268	(1,807,693)
Infrastructure	(36,755,241)	(1,696,365)	523,294	(37,928,312)
Total accumulated depreciation	(44,031,158)	(2,219,998)	738,210	(45,512,946)
Total capital assets, being depreciated, net	39,602,163	(1,345,784)	(68,198)	41,110,961
Business-type activities capital assets, net	\$ 44,610,794	\$ (1,000,611)	\$ (68,198)	\$ 43,541,985



NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function's or program's usage of its services.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 235,498
Public safety	1,174,327
Public works, which includes the depreciation of general infrastructure assets	2,750,672
Culture and recreation	1,357,633
Unallocated	32,530
Total depreciation expense - governmental activities	<u>\$ 5,550,660</u>
Business-type activities:	
Water and sewer	\$ 2,219,998
Total depreciation expense business-type activities	<u>\$ 2,219,998</u>

Construction Commitments and Other Significant Commitments Including Encumbrances

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2009, the City had outstanding construction contracts totaling \$2,469,491 that will be financed from operating funds. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

	<u>Construction Commitments/ Encumbrances</u>
Non-bond capital projects fund	\$ 64,924
Street Improvement/Animal Shelter capital projects fund	823,812
Water and sewer fund	774,039
TIF No. 1 District capital projects fund	351,712
Non-major capital projects funds	455,004
Total	<u>\$ 2,469,491</u>
	<u>Encumbrances</u>
General fund for capital assets	\$ 119,377
General fund for other purposes	420,364
Non-major funds other than capital projects	416,593
Total	<u>\$ 956,334</u>

**D. Interfund Receivables, Payables, and Transfers**

Interfund balances at September 30, 2009 consisted of the following:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund - Grant fund	\$ 7,250

Purpose of Due To / From Other Funds

Due to/from transactions are used for short-term interfund loans. The outstanding balance is the result of a time lag between the date the grant revenue was received and the date the qualifying grant expenditure was made.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

Advances from / to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-bond capital projects fund	Nonmajor governmental fund - TIF No. 2 District fund	\$ 200,000

Purpose of Advances

Advances are used for long-term interfund loans. The advance listed above is to finance the start of construction projects in the TIF No. 2 District until adequate tax revenues have been received.

Government interfund transfers during the year ended September 30, 2009 were as follows:

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Non-bond capital projects fund	\$ 1,587,500	\$	\$ 1,587,500
Nonmajor governmental funds	391,990	1,078,700	1,470,690
Water and sewer fund	3,350,300		3,350,300
Total	<u>\$ 5,329,790</u>	<u>\$ 1,078,700</u>	<u>\$ 6,408,490</u>

Eliminations

Interfund receivables, payables, and transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes of \$2,650,300. The additional \$700,000 was transferred from the water and sewer fund to the general fund per item (1) above.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

E. Long-Term Debt and Obligations

Long-term liability activity for the year ended September 30, 2009 is summarized as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 7,290,000	\$	\$ (1,910,000)	\$ 5,380,000	\$ 1,735,000
Special revenue bonds	9,920,000		(535,000)	9,385,000	560,000
Less deferred amounts:					
For issuance discounts	(13,102)		1,765	(11,337)	(1,765)
On refunding	(26,610)		6,866	(19,744)	(6,866)
Total bonds payable	17,170,288		(2,436,369)	14,733,919	2,286,369
Developer advances	11,601,824		(1,132,937)	10,468,887	
Compensated absences	6,305,247	2,545,696	(2,249,715)	6,601,228	539,635
TMRS liability		932,428		932,428	
OPEB liability		481,977	(251,274)	230,703	
Claims payable	478,394		(204,406)	273,988	118,092
Landfill closure and postclosure care costs	14,200,166	455,000	(97,484)	14,557,682	1,046,647
Governmental activities long-term debt	\$ 49,755,919	\$ 4,415,101	\$ (6,372,185)	\$ 47,798,835	\$ 3,990,743
<u>Business-type activities</u>					
Compensated absences	\$ 302,639	\$ 132,450	\$ (92,448)	\$ 342,641	\$ 43,978
OPEB liability		35,702	(18,613)	17,089	
Business-type activities long-term debt	\$ 302,639	\$ 168,152	\$ (111,061)	\$ 359,730	\$ 43,978
Total	\$ 50,058,558	\$ 4,583,253	\$ (6,483,246)	\$ 48,158,565	\$ 4,034,721

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of \$273,988, compensated absences of \$59,712, and OPEB of \$3,107 are included in the above amounts. Also, for the governmental activities, claims payable, compensated absences, and OPEB and TMRS liabilities are generally liquidated by the general fund and hotel/motel fund.

The developer advances will be liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

Bonds payable at September 30, 2009 are comprised of the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Amount Outstanding
<u>Governmental activities</u>				
General obligation bonds:				
2002 Refunding	3.00 - 3.70	12/16/2002	8/15/2012	\$ 605,000
2007 Certificates of Obligation	3.45	10/18/2007	8/15/2012	4,775,000
Total general obligation bonds				5,380,000
Special revenue bonds:				
1999 Hotel occupancy tax	4.65 - 6.00	7/15/1999	8/15/2014	2,030,000
2004 Combination tax and revenue	2.65 - 5.80	4/5/2004	11/1/2029	7,355,000
Total special revenue bonds				9,385,000
Total governmental activities				\$ 14,765,000

The City currently has \$5,500,000 of authorized, but unissued, general obligation bonds.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2009 are as follows:

Governmental activities

Year Ending September 30	<u>General Obligation Bonds/Certificates of Obligation</u>			<u>Special Revenue Bonds</u>		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 1,735,000	\$ 185,845	\$ 1,920,845	\$ 560,000	\$ 512,897	\$ 1,072,897
2011	1,790,000	126,378	1,916,378	585,000	486,077	1,071,077
2012	1,855,000	64,522	1,919,522	615,000	456,680	1,071,680
2013				650,000	425,664	1,075,664
2014				685,000	392,179	1,077,179
2015-2019				1,380,000	1,632,239	3,012,239
2020-2024				1,855,000	1,167,105	3,022,105
2025-2029				2,470,000	544,330	3,014,330
2030				585,000	16,965	601,965
Total	\$ 5,380,000	\$ 376,745	\$ 5,756,745	\$ 9,385,000	\$ 5,634,136	\$ 15,019,136

General Obligation Bonds and Certificates of Obligation – The City of Farmers Branch issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the city. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement. The original amount of general obligation bonds issued in prior years was \$10,125,000.

Special Revenue Bonds – The City of Farmers Branch issued special revenue bonds to provide funds for the acquisition and construction of a community ice-skating and conference facility including public parking areas. The original amount of special revenue bonds issued in prior years was \$12,695,000. Special revenue bonds are payable from the hotel occupancy tax and lease payments from the Dallas Stars with any deficiency to be paid from ad valorem taxes.

Defeased Bonds Outstanding – In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2009, \$2,912,545 of bonds outstanding is considered defeased.

Developer Advances – The City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date.

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the City of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 24.5 million cubic yards will be reached in approximately 24 years. The City recognizes a portion of the final closure and post-closure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2009, the City had incurred a liability of \$14,557,682, which represents the amount of costs estimated to date based on 68% of landfill capacity used to date. This amount includes a reduction of \$97,484 for closure related expenditures paid during fiscal year 2009. The remaining estimated liability for these costs is \$6,799,397, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of \$8,474,443 for these costs. The estimated cost of closure and post-closure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

F. Other Information

1) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. The City has established a workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues of the workers' compensation fund and operating expenditures (expenses) of the other funds. Claims payable include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2009. State law provides that the City is relieved of liability if a notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2009, the amount of workers' compensation liabilities was \$273,988. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the reported liability since October 1, 2007 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2007-2008	\$372,467	\$640,504	(\$534,577)	\$478,394
2008-2009	\$478,394	(\$ 74,524)	(\$129,882)	\$273,988

At September 30, 2009, workers' compensation fund cash and investments of \$980,511 were held for the purpose of funding future obligations. The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

- a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 20-year contract negotiated in August 1990. The City makes payments to the City of Dallas at a rate of \$.3716 per 1,000 gallons plus \$174,633 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid \$4,487,328 to the City of Dallas for the fiscal year ended September 30, 2009.
- b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid \$1,872,221 to the Authority for the fiscal year ended September 30, 2009.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2009, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

3) Postemployment Benefits Other Than Pensions

Effective for fiscal year 2009, the City implemented GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation).

Plan Description - The City of Farmers Branch administers a single-employer defined benefit healthcare plan (the "Retiree Benefit Plan"). The plan provides postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through city policy as approved by City Council. The Retiree Benefit Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years which do not need to be concurrent\*;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

\* The ten-year eligibility is only for employees employed with the City as of December 31, 2006 that are not currently eligible for retirement or will be eligible for retirement by December 31, 2011.

Funding Policy - Contribution requirements are set by City policy as approved by City Council. The City contributes the cost of the "employee only" premium for the City's base plan, \$536 annually to a health savings account for those retirees selecting the high deductible health insurance plans, and the full premium for life insurance coverage of \$12,000. The eligible City retiree receives city paid coverage till age 65. In fiscal year 2009, the City contributed \$269,887 to the plan. Plan members receiving benefits contribute the additional cost above the "employee only" base medical premium and the full group premium for dental or vision plans selected. In fiscal year 2009, total member contributions were \$195,271.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation. Because fiscal year 2009 is the first year of implementation of GASB Statement 45, the OPEB obligation at the beginning of the year is zero and the OPEB cost (expense) is equal to the ARC.

Annual required contribution (ARC)	\$ 517,679
Interest on net OPEB obligation	0
Adjustment to the ARC	0
Annual OPEB cost	\$ 517,679
Contributions made	269,887
Increase in net OPEB obligation	\$ 247,792
Net OPEB obligation, beginning of year	0
Net OPEB obligation, end of year	\$ 247,792

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 517,679	\$ 269,887	52%	\$ 247,792

Funded Status and Funding Progress - As of October 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,902,137, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$22,196,022, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.6%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits (only one year presented in this year of implementation).

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008 actuarial valuation, the projected unit credit cost actuarial method was used. The actuarial assumptions included a 4.5 percent investment rate of return (discount rate) and an annual healthcare cost trend rate of 8 percent initially (2009), reduced by decrements of 1 percent per year till it reaches an ultimate trend rate of 5 percent in 2012. The unfunded actuarial liability is being amortized over 30 years using a level percentage of payroll with an assumption that payroll increases by 3 percent per year. The remaining amortization period at September 30, 2009, was twenty-nine years.

#### 4) Employee Retirement System

Plan Description - The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching percent of 200% has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 200% City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Funding Policy – The contribution rate for employees is 7% of employee gross earnings and the City matching percentage is 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined by the actuary annually, using the Projected Unit Credit actuarial cost method (effective with the December 31, 2008 valuation). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. Beginning in 2009, the City of Farmers Branch elected to contribute a minimum amount equal to its annual required contribution (ARC) plus an additional lump-sum contribution of \$63,249 less a "phase in" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. This caused the City to have an actual contribution less than the actuarially determined ARC, and therefore to accrue a net pension obligation on its balance sheet. In subsequent years, this net pension obligation will be amortized using the same amortization factor used to determine the ARC for a given year. The phase in period will last eight years from fiscal year 2009 through fiscal year 2016. The portion of the amount being phased in and not yet recognized is 7/8<sup>th</sup> in year one.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

The annual pension cost and net pension obligation are as follows:

Annual required contribution (ARC)	\$ 5,289,836
Interest on net pension obligation	0
Adjustment to the ARC	0
Annual pension cost (APC)	\$ 5,289,836
Contributions made	4,357,408
Increase in net pension obligation	\$ 932,428
Net pension obligation, beginning of year	0
Net pension obligation, end of year	\$ 932,428

**Funded Status and Funding Progress** - As of December 31, 2008, the most recent actuarial valuation date, the actuarial value of plan assets was \$82,917,572, the actuarial accrued liability for benefits was \$125,793,750, the actuarial value of assets as a percentage of that actuarial accrued liability was 65.9% (funded ratio). The covered payroll (annual payroll of active employees covered by the plan) was \$26,427,295, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 162.2%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	29 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7.5%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

**Actuarial Assumptions** - The City of Farmers Branch is one of 833 municipalities having the benefit administered by TMRS. Each of these municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2008 valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report that includes the financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.org](http://www.TMRS.org). Significant actuarial assumptions for the City may be found in Exhibit E-1, Required Supplemental Information.

**Trend Information:** Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information, for which three years is required, is presented as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 3,614,401	\$ 3,614,401	100%	\$ 0
2008	4,114,688	4,114,688	100%	0
2009	5,289,836	4,357,408	82%	932,428

Supplemental three-year trend information may be found in Exhibit E-1.



NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

---

5) New GASB Standards

In fiscal year 2009, the City implemented the following six GASB statements:

GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* This Statement establishes standards for the measurement, recognition, and display for postemployment health care and other benefits if provided separately from a pension plan. See note F.3 for information on the City's implementation of this standard.

GASB Statement No. 49, *"Accounting and Financial Reporting for Pollution Remediation Obligations."* This Statement addresses accounting and financial reporting standards for pollution remediation obligations. There was no current effect on the financial statements as a result of implementing this Statement.

GASB Statement No. 50, *"Pension Disclosures."* This Statement is a disclosure standard and its requirements are reflected in note F.4.

GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions."* The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the City's financial statements have changed as a result of implementing this Statement.

GASB Statement No. 55, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The objective of this Statement is to incorporate the GAAP for state and local governments into the GASB's authoritative literature. There was no change in current practice as a result of implementing this Statement.

GASB Statement No. 56, *"Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets."* This statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting of these types of assets. The statement requires that all intangible assets not specifically excluded by its scope and provisions be classified as capital assets. This statement will become effective for the City in fiscal year 2010. Management has not yet determined the impact of this statement on the financial statements.

Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments."* This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement will become effective for the City in fiscal year 2010. Management has not yet determined the impact of this statement on the financial statements.

6) Subsequent Event

On October 15, 2009, the City of Farmers Branch issued Combination Tax and Revenue Certificates of Obligation, Taxable Series 2009 (Certificates) in the amount of \$10,000,000. These Certificates will be used for the purpose of acquiring and demolishing dangerous structures within the City.

REQUIRED SUPPLEMENTAL INFORMATION  
 SEPTEMBER 30, 2009  
 (UNAUDITED)

## Texas Municipal Retirement System Analysis of Funding Progress

## Last Three Fiscal Years

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	12/31/2006	\$ 84,115,347	\$ 107,994,963	\$ 23,879,616	77.9%	\$ 23,389,294	102.1%
2008	12/31/2007	84,399,127	124,420,441	40,021,314	67.8%	25,255,387	158.5%
2009	12/31/2008	82,917,572	125,793,750	42,876,178	65.9%	26,427,295	162.2%

Actuarial Assumptions 2007

Actuarial Cost Method	-	Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	25 Years - Open Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7.0%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	N/A

Actuarial Assumptions 2008

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	30 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7.0%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

Actuarial Assumptions 2009

Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	29 Years - Closed Period
Asset Valuation Method	-	Amortized Cost
Investment Rate of Return	-	7.5%
Projected Salary Increases	-	Varies by Age and Service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

## Retiree Benefit Plan

## Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2009	10/1/2008	\$ 0	\$ 5,902,137	\$ 5,902,137	0.0%	\$ 22,196,022	26.6%

\*The annual covered payroll for the Retiree Benefit Plan includes only full time employees hired prior to January 1, 2007.

## OTHER SUPPLEMENTAL INFORMATION

(Page intentionally left blank)

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Hotel/Motel - to account for receipt and allocation of the City's hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The City hotel occupancy tax rate for its twelve hotels is 7%.

Police Forfeitures - to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Donations - to account for voluntary contributions for community improvement.

Cemetery - to account for grounds maintenance of Keenan Cemetery.

Youth Scholarship - to account for voluntary contributions for youth scholarship.

Grants - to account for grant revenues and expenditures.

Municipal Court Fees - to account for the municipal court building security fee dedicated to courthouse security and the municipal court technology fee for the purchase of technological enhancements.

Stars Center - to account for Stars/Conference Center rental revenues and transfers to debt service for bond payments.

#### DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental long-term debt serviced by the Debt Service Fund consists of general obligation bonds and special revenue bonds.

#### CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The following is a description of the City's Capital Projects Funds:

DART Fund - to account for the construction and financing of transit related improvements funded by the Dallas Area Rapid Transit Local Assistance Program.

Hotel/Motel Fund - to account for the construction and financing of historical park improvements, funded by hotel/motel tax revenues.

Street Improvement/Animal Shelter Fund - is used for the construction of a new animal shelter and the reconstruction of several streets (Webb Chapel Road, Midway Road, and Benchmark).

TIF No. 1 District Fund - to account for infrastructure construction in the Mercer Crossing tax increment financing district and is funded from developers contributions and advances and property tax payments.

TIF No. 2 District Fund - to account for infrastructure construction in the Old Farmers Branch tax increment financing district, funded from developer contributions and advances and property tax payments.

(Page intentionally left blank)

COMBINING BALANCE SHEET - SUMMARY  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2009

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents, and investments	\$ 4,385,561	\$ 223,591	\$ 3,700,161	\$ 8,309,313
Receivables, net	283,199	227,235	544	510,978
Accrued interest and other	22,245		34,838	57,083
Inventories	4,931			4,931
Total assets	<u>\$ 4,695,936</u>	<u>\$ 450,826</u>	<u>\$ 3,735,543</u>	<u>\$ 8,882,305</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 181,996	\$	\$ 96,112	\$ 278,108
Arbitrage payable			14,108	14,108
Due to other funds	7,250			7,250
Deposits payable	545,100			545,100
Deferred revenue	60,952	227,060	544	288,556
Advances from other funds			200,000	200,000
Retainage payable			3,115	3,115
Total liabilities	<u>795,298</u>	<u>227,060</u>	<u>313,879</u>	<u>1,336,237</u>
Fund balances:				
Nonspendable:				
Inventory	4,931			4,931
Restricted for:				
Construction of capital assets			3,421,664	3,421,664
Special purposes	3,127,104			3,127,104
Law enforcement	768,603			768,603
Assigned to:				
Debt service		223,766		223,766
Total fund balances	<u>3,900,638</u>	<u>223,766</u>	<u>3,421,664</u>	<u>7,546,068</u>
Total liabilities and fund balances	<u>\$ 4,695,936</u>	<u>\$ 450,826</u>	<u>\$ 3,735,543</u>	<u>\$ 8,882,305</u>

## CITY OF FARMERS BRANCH, TEXAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2009

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Youth Scholarship	Grants
ASSETS						
Cash, cash equivalents, and investments	\$ 2,232,976	\$ 251,818	\$ 154,661	\$ 145,157	\$ 23,629	\$ 372
Receivables, net	203,312	499				44,713
Accrued interest and other	12,250	1,369	776	823	119	
Inventories	4,931					
Total assets	<u>\$ 2,453,469</u>	<u>\$ 253,686</u>	<u>\$ 155,437</u>	<u>\$ 145,980</u>	<u>\$ 23,748</u>	<u>\$ 45,085</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 76,352	\$ 489	\$ 8,432	\$	\$	\$ 106
Due to other funds						7,250
Deposits payable	5,100					
Deferred revenue		23,223				37,729
Total liabilities	<u>81,452</u>	<u>23,712</u>	<u>8,432</u>			<u>45,085</u>
Fund balances:						
Nonspendable						
Inventory	4,931					
Restricted for:						
Special purposes	2,367,086		147,005	145,980	23,748	
Law enforcement		229,974				
Total fund balances	<u>2,372,017</u>	<u>229,974</u>	<u>147,005</u>	<u>145,980</u>	<u>23,748</u>	
Total liabilities and fund balances	<u>\$ 2,453,469</u>	<u>\$ 253,686</u>	<u>\$ 155,437</u>	<u>\$ 145,980</u>	<u>\$ 23,748</u>	<u>\$ 45,085</u>



Exhibit F-1a

Nonmajor Special Revenue Funds		Total
Municipal	Stars	Nonmajor
Court	Center	Special Revenue
Fees		Funds
\$ 598,380	\$ 978,568	\$ 4,385,561
34,675		283,199
2,191	4,717	22,245
		4,931
<u>\$ 635,246</u>	<u>\$ 983,285</u>	<u>\$ 4,695,936</u>
\$ 96,617	\$	\$ 181,996
		7,250
	540,000	545,100
		60,952
<u>96,617</u>	<u>540,000</u>	<u>795,298</u>
		4,931
	443,285	3,127,104
<u>538,629</u>		<u>768,603</u>
<u>538,629</u>	<u>443,285</u>	<u>3,900,638</u>
<u>\$ 635,246</u>	<u>\$ 983,285</u>	<u>\$ 4,695,936</u>

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2009

	Nonmajor Capital Projects Funds					Total Nonmajor Capital Projects Funds
	DART	Hotel/ Motel	Street Improvement/ Animal Shelter	TIF No. 1 District	TIF No. 2 District	
ASSETS						
Cash, cash equivalents, and investments	\$ 562,659	\$ 127,241	\$ 1,029,728	\$ 1,763,318	\$ 217,215	\$ 3,700,161
Receivables, net					544	544
Accrued interest and other	2,987	714	19,249	11,782	106	34,838
Total assets	<u>\$ 565,646</u>	<u>\$ 127,955</u>	<u>\$ 1,048,977</u>	<u>\$ 1,775,100</u>	<u>\$ 217,865</u>	<u>\$ 3,735,543</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 7,222	\$ 88,861	\$ 29	\$	\$	\$ 96,112
Arbitrage payable			14,108			14,108
Deferred revenue					544	544
Advances from other funds					200,000	200,000
Retainage payable			3,115			3,115
Total liabilities	<u>7,222</u>	<u>88,861</u>	<u>17,252</u>		<u>200,544</u>	<u>313,879</u>
Fund balances:						
Restricted for:						
Construction of capital assets	558,424	39,094	1,031,725	1,775,100	17,321	3,421,664
Total liabilities and fund balances	<u>\$ 565,646</u>	<u>\$ 127,955</u>	<u>\$ 1,048,977</u>	<u>\$ 1,775,100</u>	<u>\$ 217,865</u>	<u>\$ 3,735,543</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SUMMARY  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property taxes	\$	\$ 2,162,151	\$	\$ 2,162,151
Hotel/motel taxes	1,974,308			1,974,308
Tax increment financing			2,097,654	2,097,654
Fines and forfeitures	460,390			460,390
Investment income	756,393		214,556	970,949
Intergovernmental	159,347		38,103	197,450
Miscellaneous	55,498			55,498
Total revenues	3,405,936	2,162,151	2,350,313	7,918,400
<b>EXPENDITURES</b>				
Current:				
General government	136,311			136,311
Public safety	502,591			502,591
Public works	713			713
Culture and recreation	1,570,878			1,570,878
Debt service:				
Principal retirement		2,445,000	1,132,937	3,577,937
Interest and fiscal agent charges		789,523		789,523
Capital outlay			7,922,823	7,922,823
Total expenditures	2,210,493	3,234,523	9,055,760	14,500,776
Excess (deficiency) of revenues over (under) expenditures	1,195,443	(1,072,372)	(6,705,447)	(6,582,376)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,078,700		1,078,700
Transfers out	(1,467,400)		(3,290)	(1,470,690)
Total other financing sources (uses)	(1,467,400)	1,078,700	(3,290)	(391,990)
Net change in fund balances	(271,957)	6,328	(6,708,737)	(6,974,366)
Fund balances--beginning	4,172,595	217,438	10,130,401	14,520,434
Fund balances--ending	\$ 3,900,638	\$ 223,766	\$ 3,421,664	\$ 7,546,068

CITY OF FARMERS BRANCH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Youth Scholarship	Grants
REVENUES						
Hotel/motel taxes	\$ 1,974,308	\$	\$	\$	\$	\$
Fines and forfeitures		6,150				
Investment income	89,710	7,265	4,110	3,845	630	
Intergovernmental						159,347
Miscellaneous	6,390		46,127	1,281	1,700	
Total revenues	2,070,408	13,415	50,237	5,126	2,330	159,347
EXPENDITURES						
General government			22,761			2,698
Public safety		52,324	5,158			129,886
Public works			713			
Culture and recreation	1,492,232		23,458	25,765	2,660	26,763
Total expenditures	1,492,232	52,324	52,090	25,765	2,660	159,347
Excess (deficiency) of revenues over (under) expenditures	578,176	(38,909)	(1,853)	(20,639)	(330)	
OTHER FINANCING USES						
Transfers out	(864,000)					
Total other financing uses	(864,000)					
Net change in fund balances	(285,824)	(38,909)	(1,853)	(20,639)	(330)	
Fund balances--beginning	2,657,841	268,883	148,858	166,619	24,078	
Fund balances--ending	\$ 2,372,017	\$ 229,974	\$ 147,005	\$ 145,980	\$ 23,748	\$

## Exhibit F-2a

Nonmajor Special Revenue Funds		Total
Municipal	Stars	Nonmajor
Court	Center	Special Revenue
Fees		Funds
\$	\$	\$
454,240		1,974,308
11,601	639,232	460,390
		756,393
		159,347
		55,498
465,841	639,232	3,405,936
110,852		136,311
315,223		502,591
		713
		1,570,878
426,075		2,210,493
39,766	639,232	1,195,443
	(603,400)	(1,467,400)
	(603,400)	(1,467,400)
39,766	35,832	(271,957)
498,863	407,453	4,172,595
\$ 538,629	\$ 443,285	\$ 3,900,638

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Nonmajor Capital Projects Funds					Total Nonmajor Capital Projects Funds
	DART	Hotel/ Motel	Street Improvement/ Animal Shelter	TIF No. 1 District	TIF No. 2 District	
REVENUES						
Tax increment financing	\$	\$	\$	\$ 1,985,032	\$ 112,622	\$ 2,097,654
Investment income	15,818	3,780	131,997	62,401	560	214,556
Intergovernmental	38,103					38,103
Total revenues	53,921	3,780	131,997	2,047,433	113,182	2,350,313
EXPENDITURES						
Principal retirement				1,132,937		1,132,937
Capital outlay	39,234	106,148	6,249,296	1,425,366	102,779	7,922,823
Total expenditures	39,234	106,148	6,249,296	2,558,303	102,779	9,055,760
Excess (deficiency) of revenues over (under) expenditures	14,687	(102,368)	(6,117,299)	(510,870)	10,403	(6,705,447)
OTHER FINANCING USES						
Transfers out				(3,290)		(3,290)
Net change in fund balances	14,687	(102,368)	(6,117,299)	(514,160)	10,403	(6,708,737)
Fund balances--beginning	543,737	141,462	7,149,024	2,289,260	6,918	10,130,401
Fund balances--ending	\$ 558,424	\$ 39,094	\$ 1,031,725	\$ 1,775,100	\$ 17,321	\$ 3,421,664

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL:**

General Fund, Special Revenue Funds, and Debt Service Fund

(Page intentionally left blank)



SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 17,775,000	\$ 17,225,000	\$ 17,094,215	\$	\$ 17,094,215	\$ (130,785)
Sales and use tax	12,660,200	12,660,200	11,912,047		11,912,047	(748,153)
Franchise taxes	4,973,000	4,725,000	4,338,892		4,338,892	(386,108)
Licenses and permits	817,000	531,000	485,241		485,241	(45,759)
Charges for services	4,616,200	4,412,200	4,360,812		4,360,812	(51,388)
Fines and forfeitures	2,627,000	2,229,000	2,115,780		2,115,780	(113,220)
Investment income	1,083,000	733,000	661,046		661,046	(71,954)
Miscellaneous	118,000	94,900	78,500		78,500	(16,400)
Total revenues	44,669,400	42,610,300	41,046,533		41,046,533	(1,563,767)
EXPENDITURES						
Current:						
General government:						
General contracts	208,500	208,500	201,000	7,500	208,500	
General government	133,100	176,700	170,262	4,000	174,262	2,438
City administration	2,465,500	2,718,800	2,720,511	(106,642)	2,613,869	104,931
Communications	449,600	449,800	471,218		471,218	(21,418)
Economic development	312,200	258,400	254,072		254,072	4,328
Human resources	809,500	756,900	719,936	(5,386)	714,550	42,350
Finance	2,947,900	3,041,000	2,967,385	14,312	2,981,697	59,303
Community services	2,509,900	2,327,500	2,297,122	(18,350)	2,278,772	48,728
Public safety:						
Police	11,047,900	10,685,700	10,586,101	92,073	10,678,174	7,526
Fire	8,768,200	8,859,200	9,397,535	(625,819)	8,771,716	87,484
Public works:						
Public works	5,138,300	4,574,400	4,797,307	(376,487)	4,420,820	153,580
Engineering	2,026,000	2,024,400	2,060,344	(73,743)	1,986,601	37,799
Culture and recreation:						
Parks and recreation	8,707,700	8,430,100	8,259,917	(105,172)	8,154,745	275,355
Library	1,897,200	1,833,900	1,783,534	3,672	1,787,206	46,694
Total expenditures	47,421,500	46,345,300	46,686,244	(1,190,042)	45,496,202	849,098
Deficiency of revenues under expenditures	(2,752,100)	(3,735,000)	(5,639,711)	1,190,042	(4,449,669)	(714,669)
OTHER FINANCING SOURCES						
Transfers in	2,976,500	5,376,500	5,329,790		5,329,790	(46,710)
Sale of capital assets/insurance recoveries	171,500	171,500	97,485		97,485	(74,015)
Total other financing sources	3,148,000	5,548,000	5,427,275		5,427,275	(120,725)
Net change in fund balance	395,900	1,813,000	(212,436)	1,190,042	977,606	(835,394)
Fund balances--beginning	7,311,702	7,311,702	9,041,485	(1,729,783)	7,311,702	
Fund balances--ending	\$ 7,707,602	\$ 9,124,702	\$ 8,829,049	\$ (539,741)	\$ 8,289,308	\$ (835,394)

## CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Hotel/Motel			Police Forfeitures		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$ 2,300,000	\$ 1,974,308	\$ (325,692)	\$	\$	\$
Fines, forfeitures, and assessments				20,000	6,150	(13,850)
Investment income	90,000	89,710	(290)		7,265	7,265
Intergovernmental						
Donations and miscellaneous	11,800	6,390	(5,410)			
Total revenues	2,401,800	2,070,408	(331,392)	20,000	13,415	(6,585)
EXPENDITURES						
General government						
Public safety				107,400	51,549	55,851
Public works						
Culture and recreation	1,970,000	1,735,659	234,341			
Total expenditures	1,970,000	1,735,659	234,341	107,400	51,549	55,851
Excess (deficiency) of revenues over (under) expenditures	431,800	334,749	(97,051)	(87,400)	(38,134)	49,266
OTHER FINANCING USES						
Transfers out	(864,000)	(864,000)				
Net change in fund balances	(432,200)	(529,251)	(97,051)	(87,400)	(38,134)	49,266
Fund balances--beginning	2,488,747	2,488,747		268,108	268,108	
Fund balances--ending	\$ 2,056,547	\$ 1,959,496	\$ (97,051)	\$ 180,708	\$ 229,974	\$ 49,266

Donations			Cemetery			Youth Scholarships		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	4,110	4,110	4,000	3,845	(155)		630	630
56,615	46,127	(10,488)		1,281	1,281	3,000	1,700	(1,300)
56,615	50,237	(6,378)	4,000	5,126	1,126	3,000	2,330	(670)
33,763	22,761	11,002						
6,000	5,158	842						
750	713	37						
53,469	23,777	29,692	26,900	25,765	1,135	5,900	2,660	3,240
93,982	52,409	41,573	26,900	25,765	1,135	5,900	2,660	3,240
(37,367)	(2,172)	35,195	(22,900)	(20,639)	2,261	(2,900)	(330)	2,570
(37,367)	(2,172)	35,195	(22,900)	(20,639)	2,261	(2,900)	(330)	2,570
148,858	148,858		166,619	166,619		24,078	24,078	
\$ 111,491	\$ 146,686	\$ 35,195	\$ 143,719	\$ 145,980	\$ 2,261	\$ 21,178	\$ 23,748	\$ 2,570

(continued)

## CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Grants			Municipal Court Fees		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$	\$	\$	\$	\$	\$
Fines, forfeitures, and assessments				386,700	454,240	67,540
Investment income					11,601	11,601
Intergovernmental	219,363	159,347	(60,016)			
Donations and miscellaneous						
Total revenues	219,363	159,347	(60,016)	386,700	465,841	79,141
EXPENDITURES						
General government	10,500	2,698	7,802	124,920	114,603	10,317
Public safety	180,100	129,886	50,214	364,294	315,223	49,071
Public works						
Culture and recreation	28,763	26,763	2,000			
Total expenditures	219,363	159,347	60,016	489,214	429,826	59,388
Excess (deficiency) of revenues over (under) expenditures				(102,514)	36,015	138,529
OTHER FINANCING USES						
Transfers out						
Net change in fund balances				(102,514)	36,015	138,529
Fund balances--beginning				498,863	498,863	
Fund balances--ending	\$	\$	\$	\$ 396,349	\$ 534,878	\$ 138,529

Stars Center			Totals		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$ 2,300,000	\$ 1,974,308	\$ (325,692)
			406,700	460,390	53,690
603,000	639,232	36,232	697,000	756,393	59,393
			219,363	159,347	(60,016)
			71,415	55,498	(15,917)
603,000	639,232	36,232	3,694,478	3,405,936	(288,542)
			169,183	140,062	29,121
			657,794	501,816	155,978
			750	713	37
			2,085,032	1,814,624	270,408
			2,912,759	2,457,215	455,544
603,000	639,232	36,232	781,719	948,721	167,002
(603,400)	(603,400)		(1,467,400)	(1,467,400)	
(400)	35,832	36,232	(685,681)	(518,679)	167,002
407,453	407,453		4,002,726	4,002,726	
\$ 407,053	\$ 443,285	\$ 36,232	\$ 3,317,045	\$ 3,484,047	\$ 167,002

(concluded)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Revised Budget	Actual Budget Basis	Variance
REVENUES			
Property taxes	\$ 2,214,900	\$ 2,162,151	\$ (52,749)
EXPENDITURES			
Principal retirement	2,445,000	2,445,000	
Interest and fiscal agent charges	808,600	789,523	19,077
Total expenditures	3,253,600	3,234,523	19,077
Deficiency of revenues under expenditures	(1,038,700)	(1,072,372)	(33,672)
OTHER FINANCING SOURCES			
Transfers in	1,078,700	1,078,700	
Net change in fund balances	40,000	6,328	(33,672)
Fund balances--beginning	217,438	217,438	
Fund balances--ending	\$ 257,438	\$ 223,766	\$ (33,672)

## COMBINING FINANCIAL STATEMENTS

### INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Equipment Services Fund - to account for materials and supplies provided exclusively to other funds and departments of the City.

Workers' Compensation Fund - to account for the City's workers' compensation self-insurance program.

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2009

	Equipment Services	Workers' Compensation	Total
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents, and investments	\$ 130,529	\$ 980,511	\$ 1,111,040
Receivables, net	2,579	2,250	4,829
Inventories	63,633		63,633
Prepaid items	5,047		5,047
Deposits		32,000	32,000
Total current assets	201,788	1,014,761	1,216,549
Noncurrent assets:			
Capital assets:			
Nondepreciable	8,170		8,170
Depreciable, net of accumulated depreciation	297,248		297,248
Total noncurrent assets	305,418		305,418
Total assets	507,206	1,014,761	1,521,967
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	138,969	22,269	161,238
Claims payable		118,092	118,092
Compensated absences	29,243		29,243
Total current liabilities	168,212	140,361	308,573
Noncurrent liabilities:			
Claims payable		155,896	155,896
Compensated absences	30,469		30,469
OPEB liability	3,107		3,107
Total noncurrent liabilities	33,576	155,896	189,472
Total liabilities	201,788	296,257	498,045
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	305,418		305,418
Unrestricted		718,504	718,504
Total net assets	\$ 305,418	\$ 718,504	\$ 1,023,922



COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Equipment Services	Workers' Compensation	Total
Operating revenues			
Charges for services	\$ 2,182,062	\$	\$ 2,182,062
Contributions and miscellaneous	3,669	467,947	471,616
Total operating revenues	2,185,731	467,947	2,653,678
Operating expenses			
Personal services	608,863		608,863
Materials and supplies	1,306,036		1,306,036
Maintenance and utilities	265,477		265,477
Depreciation	58,066		58,066
Total operating expenses	2,238,442		2,238,442
Operating income (loss)	(52,711)	467,947	415,236
Net assets--beginning	358,129	250,557	608,686
Net assets--ending	\$ 305,418	\$ 718,504	\$ 1,023,922

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Equipment Services	Workers' Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 2,183,152	\$ 465,697	\$ 2,648,849
Payments to suppliers	(1,506,236)		(1,506,236)
Payments to employees	(588,391)		(588,391)
Payments for loss claims		(414,585)	(414,585)
Net cash provided by operating activities	88,525	51,112	139,637
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(5,355)		(5,355)
Net cash used by capital and related financing activities	(5,355)		(5,355)
Net increase in cash and cash equivalents	83,170	51,112	134,282
Cash and cash equivalents - beginning of year	47,359	929,399	976,758
Cash and cash equivalents - end of year	\$ 130,529	\$ 980,511	\$ 1,111,040
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (52,711)	\$ 467,947	\$ 415,236
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	58,066		58,066
Changes in assets and liabilities:			
Increase in receivables	(2,579)	(2,250)	(4,829)
Decrease in inventories	25,130		25,130
Increase in prepaid expense	(1,305)		(1,305)
Increase (decrease) in accrued liabilities	42,141	(210,179)	(168,038)
Decrease in claims payable		(204,406)	(204,406)
Increase in OPEB liability	3,107		3,107
Increase in accrued compensated absences	16,676		16,676
Net cash provided by operating activities	\$ 88,525	\$ 51,112	\$ 139,637

*STATISTICAL  
SECTION*



## STATISTICAL SECTION (Unaudited)

The City of Farmers Branch's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

		Page
Financial Trends	These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	66 – 73
Revenue Capacity	These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	74 – 81
Debt Capacity	These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	82 - 83
Demographic & Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	84 - 85
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	86 - 91

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FARMERS BRANCH, TEXAS

NET ASSETS BY COMPONENT  
 LAST EIGHT FISCAL YEARS  
 (accrual basis of accounting)  
 (UNAUDITED)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 78,568,533	\$ 87,037,971	\$ 90,059,354	\$ 93,781,812	\$ 98,657,412
Restricted	5,751,791	4,976,354	3,260,438	5,442,628	2,237,530
Unrestricted	30,275,062	22,339,613	20,318,481	16,924,700	17,915,931
Total governmental activities net assets	<u>\$ 114,595,386</u>	<u>\$ 114,353,938</u>	<u>\$ 113,638,273</u>	<u>\$ 116,149,140</u>	<u>\$ 118,810,873</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 40,498,414	\$ 42,643,924	\$ 42,594,070	\$ 42,492,826	\$ 44,402,198
Restricted	7,189,902	6,218,858	5,612,230	5,294,103	4,926,756
Unrestricted	11,597,277	9,311,455	8,337,951	8,689,125	12,289,442
Total business-type activities net assets	<u>\$ 59,285,593</u>	<u>\$ 58,174,237</u>	<u>\$ 56,544,251</u>	<u>\$ 56,476,054</u>	<u>\$ 61,618,396</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 119,066,947	\$ 129,681,895	\$ 132,653,424	\$ 136,274,638	\$ 143,059,610
Restricted	12,941,693	11,195,212	8,872,668	10,736,731	7,164,286
Unrestricted	41,872,339	31,651,068	28,656,432	25,613,825	30,205,373
Total primary government net assets	<u>\$ 173,880,979</u>	<u>\$ 172,528,175</u>	<u>\$ 170,182,524</u>	<u>\$ 172,625,194</u>	<u>\$ 180,429,269</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 1

Fiscal Year		
<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 99,708,332	\$ 103,120,070	\$ 101,912,476
4,189,986	4,597,310	6,694,969
15,941,239	8,317,303	(3,195,423)
<u>\$ 119,839,557</u>	<u>\$ 116,034,683</u>	<u>\$ 105,412,022</u>
\$ 43,151,947	\$ 44,301,036	\$ 43,477,996
17,158,640	17,149,733	16,882,766
<u>\$ 60,310,587</u>	<u>\$ 61,450,769</u>	<u>\$ 60,360,762</u>
\$ 142,860,279	\$ 147,421,106	\$ 145,390,472
4,189,986	4,597,310	6,694,969
33,099,879	25,467,036	13,687,343
<u>\$ 180,150,144</u>	<u>\$ 177,485,452</u>	<u>\$ 165,772,784</u>

## CITY OF FARMERS BRANCH, TEXAS

## CHANGES IN NET ASSETS

## LAST EIGHT FISCAL YEARS

(accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities:					
General government	\$ 7,685,900	\$ 7,466,295	\$ 7,846,552	\$ 7,797,289	\$ 8,489,684
Public safety	14,324,462	14,541,067	14,785,034	15,536,770	15,934,442
Public works	10,573,887	11,779,719	11,152,223	10,497,625	11,940,111
Culture and recreation	9,783,696	9,764,220	13,689,052	11,041,720	11,292,821
Interest on long-term debt	1,355,307	1,093,578	978,999	1,240,816	1,353,926
Unallocated depreciation	128,974	138,735	141,602	144,510	166,626
Total governmental activities expenses	43,852,226	44,783,614	48,593,462	46,258,730	49,177,610
Business-type activities:					
Water and sewer	10,562,202	10,666,145	10,710,107	10,269,021	10,646,221
Public improvement district	379,657	234,163	215,513	222,959	216,572
Total business-type activities expenses	10,941,859	10,900,308	10,925,620	10,491,980	10,862,793
Total primary government expenses	\$ 54,794,085	\$ 55,683,922	\$ 59,519,082	\$ 56,750,710	\$ 60,040,403
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
Public safety	\$ 3,421,521	\$ 3,503,599	\$ 3,978,897	\$ 3,967,328	\$ 3,906,555
Public works	3,366,695	3,446,822	3,260,049	3,550,264	3,536,009
Other	1,133,799	1,066,920	1,616,740	1,599,155	1,789,155
Operating grants and contributions	106,082	181,750	122,933	64,746	140,829
Capital grants and contributions	1,449,950	671,174	2,626,760	1,566,453	1,888,355
Total governmental activities program revenues	9,478,047	8,870,265	11,605,379	10,747,946	11,260,903
Business-type activities:					
Charges for services	11,005,950	10,816,097	10,888,765	12,018,005	15,360,543
Capital grants and contributions	708,700	680,244	317,971	185,349	109,804
Total business-type activities program revenues	11,714,650	11,496,341	11,206,736	12,203,354	15,470,347
Total primary government program revenues	\$ 21,192,697	\$ 20,366,606	\$ 22,812,115	\$ 22,951,300	\$ 26,731,250
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (34,374,179)	\$ (35,913,349)	\$ (36,988,083)	\$ (35,510,784)	\$ (37,916,707)
Business-type activities	772,791	596,033	281,116	1,711,374	4,607,554
Total primary government net expense	\$ (33,601,388)	\$ (35,317,316)	\$ (36,706,967)	\$ (33,799,410)	\$ (33,309,153)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	\$ 13,105,275	\$ 13,084,066	\$ 12,644,154	\$ 12,866,630	\$ 13,315,728
Property taxes, levied for debt service	3,533,933	3,302,678	3,348,361	3,496,761	3,223,213
Sales and use taxes	11,556,669	10,048,764	10,277,538	10,789,405	11,240,717
Other taxes	7,789,704	7,317,863	7,215,972	7,121,051	9,545,758
Investment income	1,966,845	1,085,223	757,793	1,720,704	3,225,628
Gain on sale/retirement of capital assets	598,576	(1,138,493)			45,001
Transfers	1,975,600	1,971,800	2,028,600	2,027,100	(17,605)
Total governmental activities	40,526,602	35,671,901	36,272,418	38,021,651	40,578,440
Business-type activities:					
Investment income	502,281	264,411	117,498	227,204	537,508
Gain on sale/retirement of capital assets					
Transfers	(1,975,600)	(1,971,800)	(2,028,600)	(2,027,100)	17,605
Total business-type activities	(1,473,319)	(1,707,389)	(1,911,102)	(1,799,896)	555,113
Total primary government	\$ 39,053,283	\$ 33,964,512	\$ 34,361,316	\$ 36,221,755	\$ 41,133,553
<b>Change in Net Assets</b>					
Governmental activities	\$ 6,152,423	\$ (241,448)	\$ (715,665)	\$ 2,510,867	\$ 2,661,733
Business-type activities	(700,528)	(1,111,356)	(1,629,986)	(88,522)	5,162,667
Total primary government	\$ 5,451,895	\$ (1,352,804)	\$ (2,345,651)	\$ 2,422,345	\$ 7,824,400

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.



TABLE 2

Fiscal Year		
2007	2008	2009
\$ 12,193,622	\$ 12,551,044	\$ 11,487,397
18,387,710	20,503,576	21,375,045
10,370,758	11,198,781	16,056,692
11,560,372	12,327,383	12,837,081
1,386,599	1,696,424	1,662,921
137,656	132,412	32,530
54,036,717	58,409,620	63,451,666
11,337,031	11,653,500	12,202,196
11,337,031	11,653,500	12,202,196
\$ 65,373,748	\$ 70,063,120	\$ 75,653,862
\$ 4,035,373	\$ 3,974,945	\$ 3,840,336
3,420,085	2,914,097	2,202,169
1,883,712	1,896,556	1,493,047
182,355	309,283	134,927
1,044,978	1,552,729	292,271
10,566,503	10,647,610	7,962,750
12,116,611	13,541,391	14,188,751
98,906		
12,215,517	13,541,391	14,188,751
\$ 22,782,020	\$ 24,189,001	\$ 22,151,501
\$ (43,470,214)	\$ (47,762,010)	\$ (55,488,916)
878,486	1,887,891	1,986,555
\$ (42,591,728)	\$ (45,874,119)	\$ (53,502,361)
\$ 14,413,089	\$ 16,646,283	\$ 17,087,985
3,247,023	2,139,338	2,147,917
12,367,492	12,458,643	11,912,047
7,873,881	8,281,023	8,332,827
3,487,671	3,010,414	1,998,392
212,352	222,568	36,787
2,897,390	1,198,867	3,350,300
44,498,898	43,957,136	44,866,255
760,195	428,409	248,022
(49,100)	22,749	25,716
(2,897,390)	(1,198,867)	(3,350,300)
(2,186,295)	(747,709)	(3,076,562)
\$ 42,312,603	\$ 43,209,427	\$ 41,789,693
\$ 1,028,684	\$ (3,804,874)	\$ (10,622,661)
(1,307,809)	1,140,182	(1,090,007)
\$ (279,125)	\$ (2,664,692)	\$ (11,712,668)

CITY OF FARMERS BRANCH, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST EIGHT FISCAL YEARS <sup>(1) (2)</sup>

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Nondisposable	\$ 234,475	\$ 8,037	\$ 13,999	\$ 16,363	\$ 20,911
Committed	805,112	587,102	381,602	188,381	
Assigned	3,708,301	3,006,112	2,640,563	1,816,932	1,576,072
Unassigned	11,832,685	10,341,067	10,565,115	11,106,626	13,536,718
Total general fund	<u>\$ 16,580,573</u>	<u>\$ 13,942,318</u>	<u>\$ 13,601,279</u>	<u>\$ 13,128,302</u>	<u>\$ 15,133,701</u>
All Other Governmental Funds					
Nondisposable	\$ 203,911	\$ 204,027	\$ 204,129	\$ 203,816	\$ 204,301
Restricted	11,477,964	12,184,866	10,238,245	12,973,187	12,838,474
Assigned	21,656,674	15,687,461	15,685,136	12,914,110	9,556,225
Unassigned	(5,006)	(3,422)			(31,364)
Total all other governmental funds	<u>\$ 33,333,543</u>	<u>\$ 28,072,932</u>	<u>\$ 26,127,510</u>	<u>\$ 26,091,113</u>	<u>\$ 22,567,636</u>

Notes:

(1) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

(2) Fiscal years 2002 through 2008 have been reclassified with implementation of GASB Statement 54 in fiscal year 2009.

TABLE 3

Fiscal Year		
<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 30,163	\$ 20,853	\$ 17,375
784,232	65,100	40,277
2,497,634	2,321,595	1,100,824
8,632,983	6,633,937	7,670,573
<u>\$ 11,945,012</u>	<u>\$ 9,041,485</u>	<u>\$ 8,829,049</u>
\$ 204,107	\$ 204,406	\$ 333,931
15,707,905	22,688,373	15,791,814
10,572,323	6,370,872	2,336,975
(35,459)		
<u>\$ 26,448,876</u>	<u>\$ 29,263,651</u>	<u>\$ 18,462,720</u>

CITY OF FARMERS BRANCH, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST EIGHT FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>REVENUES</b>					
Property taxes	\$ 16,799,942	\$ 16,176,029	\$ 15,948,557	\$ 16,283,045	\$ 16,654,207
Sales and use taxes	11,556,669	10,048,764	10,277,538	10,789,405	11,240,717
Hotel/motel taxes	2,026,831	1,797,279	1,786,530	1,965,693	2,249,499
Franchise taxes	5,008,153	4,622,907	4,577,748	4,401,914	5,846,634
Tax increment financing	769,566	809,087	1,315,748	739,795	727,185
Licenses and permits	651,010	535,374	679,716	702,623	901,032
Charges for services	4,535,621	4,689,125	5,003,761	5,474,608	5,521,947
Fines and forfeitures	2,538,801	2,653,967	2,941,491	2,816,349	2,651,545
Special assessments					
Investment income	1,966,845	1,085,223	757,793	1,693,480	2,799,628
Intergovernmental	1,481,043	750,456	2,687,914	1,395,173	1,866,433
Miscellaneous	190,948	180,213	355,717	355,518	297,542
Total revenues	<u>47,525,429</u>	<u>43,348,424</u>	<u>46,332,513</u>	<u>46,617,603</u>	<u>50,756,369</u>
<b>EXPENDITURES</b>					
General government	7,684,132	7,450,269	7,748,593	7,604,968	8,441,567
Public safety	14,073,774	14,412,305	15,989,098	16,344,952	16,216,083
Public works	7,064,397	7,154,373	6,583,462	6,685,000	6,750,691
Culture and recreation	9,330,129	9,488,766	9,475,882	10,143,731	10,606,767
Debt service:					
Principal retirement	2,865,000	3,311,709	3,155,000	3,220,000	3,320,000
Interest and fiscal agent charges	1,209,213	928,393	613,301	961,455	863,056
Issuance costs		189,949	234,310		
Capital outlay	10,207,546	10,546,677	16,248,988	8,197,375	9,957,833
Total expenditures	<u>52,434,191</u>	<u>53,482,441</u>	<u>60,048,634</u>	<u>53,157,481</u>	<u>56,155,997</u>
Deficiency of revenues under expenditures	<u>(4,908,762)</u>	<u>(10,134,017)</u>	<u>(13,716,121)</u>	<u>(6,539,878)</u>	<u>(5,399,628)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	6,654,452	5,848,900	4,245,511	4,231,842	4,895,008
Transfers out	(4,678,852)	(3,877,100)	(2,216,911)	(2,204,742)	(2,669,708)
Proceeds from developer advances	3,412,307	16,900	253,390	3,849,257	1,398,727
Certificates of obligation issued		13,748,662	8,865,000		
Payment to refunded bond escrow agent		(13,535,212)			
Discount on refunded bonds		(13,545)	(15,262)		
Sale of capital assets/insurance recoveries	856,229	46,546	297,932	154,147	257,523
Total other financing sources (uses)	<u>6,244,136</u>	<u>2,235,151</u>	<u>11,429,660</u>	<u>6,030,504</u>	<u>3,881,550</u>
Net change in fund balances	1,335,374	(7,898,866)	(2,286,461)	(509,374)	(1,518,078)
Debt service as a percentage of noncapital expenditures	9.68%	9.86%	8.42%	9.59%	9.16%

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 4

Fiscal Year		
<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 17,521,813	\$ 18,749,053	\$ 19,256,366
12,367,492	12,458,643	11,912,047
2,487,792	2,507,434	1,974,308
4,649,499	4,550,441	4,338,892
483,258	1,511,538	2,097,654
847,741	769,575	485,241
5,575,733	5,042,920	4,360,812
2,788,819	2,735,027	2,576,170
	107,543	587,540
3,134,483	2,969,571	1,979,892
1,128,092	502,891	321,647
216,380	462,585	133,998
<u>51,201,102</u>	<u>52,367,221</u>	<u>50,024,567</u>
9,908,182	12,199,482	9,937,817
17,049,311	19,651,803	20,486,227
7,181,345	7,711,943	7,001,379
10,762,858	11,421,188	11,614,329
3,565,000	2,410,000	3,577,937
747,375	827,386	789,523
6,000	48,923	
8,260,060	9,031,200	11,078,507
<u>57,480,131</u>	<u>63,301,925</u>	<u>64,485,719</u>
<u>(6,279,029)</u>	<u>(10,934,704)</u>	<u>(14,461,152)</u>
10,676,789	4,147,842	6,408,490
(6,040,076)	(1,507,642)	(3,058,190)
2,937,952		
	7,750,000	
(917,004)		
<u>313,919</u>	<u>455,752</u>	<u>97,485</u>
<u>6,971,580</u>	<u>10,845,952</u>	<u>3,447,785</u>
692,551	(88,752)	(11,013,367)
8.40%	6.07%	7.38%

CITY OF FARMERS BRANCH, TEXAS

ESTIMATED ACTUAL AND ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	RESIDENTIAL PROPERTY			COMMERCIAL PROPERTY		
	ESTIMATED	LESS:	ASSESSED	ESTIMATED	LESS:	ASSESSED
	ACTUAL	TAX		ACTUAL	TAX	
	VALUE	EXEMPTIONS	VALUE	VALUE	EXEMPTIONS	VALUE
2000	\$ 794,049,730	\$ 252,868,204	\$ 541,181,526	\$ 2,026,248,010	\$ 343,216,122	\$ 1,683,031,888
2001	852,916,320	270,695,268	582,221,052	2,170,333,000	397,470,026	1,772,862,974
2002	915,596,290	286,941,475	628,654,815	2,305,524,720	435,616,814	1,869,907,906
2003	1,022,865,830	327,966,324	694,899,506	2,295,268,480	531,261,544	1,764,006,936
2004	1,072,890,000	330,068,183	742,821,817	2,102,559,690	506,450,763	1,596,108,927
2005	1,099,799,270	324,929,103	774,870,167	1,830,594,430	372,949,338	1,457,645,092
2006	1,145,354,860	330,535,831	814,819,029	2,050,631,160	512,078,808	1,538,552,352
2007	1,154,512,990	328,858,113	825,654,877	2,230,116,920	461,723,606	1,768,393,314
2008	1,192,986,700	336,268,242	856,718,458	2,594,828,250	591,244,468	2,003,583,782
2009	1,230,445,290	336,926,429	893,518,861	2,649,217,110	543,942,277	2,105,274,833

Source: Dallas Central Appraisal District

Note: Property in the city is reassessed at least every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value less exemptions. Tax rates are per \$100 of assessed value.

TABLE 5

BUSINESS-PERSONAL PROPERTY			TOTAL			TOTAL DIRECT TAX RATE
ESTIMATED	LESS:	ASSESSED VALUE	ESTIMATED	LESS:	ASSESSED VALUE	
ACTUAL	TAX		ACTUAL	TAX		
VALUE	EXEMPTIONS		VALUE	EXEMPTIONS		
\$ 1,323,067,500	\$ 4,058,356	\$ 1,319,009,144	\$ 4,143,365,240	\$ 600,142,682	\$ 3,543,222,558	\$ 0.4400
1,336,074,950	2,707,827	1,333,367,123	4,359,324,270	670,873,121	3,688,451,149	0.4400
1,414,502,690	1,964,435	1,412,538,255	4,635,623,700	724,522,724	3,911,100,976	0.4400
1,328,059,140	1,676,856	1,326,382,284	4,646,193,450	860,904,724	3,785,288,726	0.4400
1,221,611,230	2,329,581	1,219,281,649	4,397,060,920	838,848,527	3,558,212,393	0.4600
1,098,180,490	77,069,672	1,021,110,818	4,028,574,190	774,948,113	3,253,626,077	0.4945
1,061,094,740	116,725,093	944,369,647	4,257,080,760	959,339,732	3,297,741,028	0.4945
1,009,905,870	98,298,591	911,607,279	4,394,535,780	888,880,310	3,505,655,470	0.4945
1,096,945,970	137,850,233	959,095,737	4,884,760,920	1,065,362,943	3,819,397,977	0.4945
1,213,451,110	192,437,313	1,021,013,797	5,093,113,510	1,073,306,019	4,019,807,491	0.4945

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	CITY DIRECT RATES			OVERLAPPING RATES (1)				
	GENERAL			CARROLLTON - FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY	DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE
	BASIC RATE	OBLIGATION DEBT SERVICE	TOTAL DIRECT (2)					
2000	\$ 0.3352	\$ 0.1048	\$ 0.4400	\$ 1.6137	\$ 1.4605	\$ 0.2017	\$ 0.1960	\$ 0.0500
2001	0.3414	0.0986	0.4400	1.6737	1.5475	0.2017	0.2540	0.0500
2002	0.3486	0.0914	0.4400	1.7242	1.5475	0.2015	0.2540	0.0600
2003	0.3511	0.0889	0.4400	1.7224	1.5875	0.2015	0.2540	0.0600
2004	0.3670	0.0930	0.4600	1.7358	1.6395	0.2094	0.2540	0.0778
2005	0.3965	0.0980	0.4945	1.7824	1.6694	0.2094	0.2540	0.0803
2006	0.3985	0.0960	0.4945	1.8259	1.6884	0.2192	0.2540	0.0816
2007	0.4041	0.0904	0.4945	1.6830	1.5026	0.2189	0.2540	0.0810
2008	0.4386	0.0559	0.4945	1.3670	1.1996	0.2328	0.2540	0.0804
2009	0.4423	0.0522	0.4945	1.3623	1.1834	0.2330	0.2540	0.0894

Source: Dallas Central Appraisal District

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the City of Farmers Branch. Not all overlapping rates apply to all city property owners; for example, although the county property tax rates apply to all city property owners, the Dallas Independent School District (ISD) rates apply only to the approximately 23.3% of city property owners whose property is located within that district's geographic boundaries.
- (2) The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limits of State law, after which the city's residents may petition for a vote. Rates for debt service are set based on each year's requirements.
- (3) Does not include Dallas ISD as school districts do not overlap each other.



TABLE 6

---

TOTAL (3)	
\$	2.5014
	2.6194
	2.6797
	2.6779
	2.7370
	2.8206
	2.8752
	2.7314
	2.4287
	2.4332

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX LEVIES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

---

FISCAL YEAR	FARMERS BRANCH	CARROLLTON- FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY
2000	\$ 15,590,179	\$ 181,588,620	\$ 714,304,951	\$ 214,152,276
2001	16,229,185	207,702,320	814,504,457	229,881,236
2002	17,208,844	228,677,587	879,160,759	249,177,867
2003	16,655,270	234,702,492	925,488,279	258,759,275
2004	16,367,777	224,290,076	947,346,797	267,269,899
2005	16,089,181	221,371,359	983,293,871	271,367,179
2006	16,307,329	230,386,930	1,044,465,976	296,814,473
2007	17,335,466	222,194,231	1,031,420,904	320,339,291
2008	18,886,923	200,337,274	920,814,173	375,408,115
2009	19,877,948	207,688,213	972,477,527	397,456,902

Source: The Dallas Central Appraisal District provided information for fiscal years 2000 through 2008. Beginning in 2009, the Carrollton-Farmers Branch I.S.D. began reporting their own values since the district spans multiple counties and appraisal districts began reporting only their portion of an entity's value if the entity overlaps jurisdictions.

TABLE 7

---

DALLAS COUNTY HOSPITAL		DALLAS COUNTY COMMUNITY COLLEGE	
<hr/>		<hr/>	
\$	209,177,130	\$	54,583,760
	289,535,888		58,700,680
	314,100,139		76,722,430
	326,177,945		79,860,112
	324,257,520		103,074,389
	329,228,427		107,927,170
	343,936,479		114,768,496
	371,647,072		122,966,354
	409,570,134		135,032,794
	433,279,198		158,692,823

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

TAXPAYER	2009			2000		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (a)	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (b)
TCI Park West I Inc.	\$ 122,338,140	1	3.04%	\$ 85,181,460	2	2.40%
Occidental Tower Corporation	96,980,480	2	2.41%	74,714,620	4	2.11%
AT&T/Southwestern Bell/Cingular	84,297,190	3	2.10%	54,167,630	6	1.53%
Providence Towers LP	72,154,320	4	1.79%			
Maxim (previously Dallas Semiconductor)	63,794,150	5	1.59%	110,016,610	1	3.10%
Glazers Wholesale	57,408,590	6	1.43%			
Lakeview at Parkside	43,840,390	7	1.09%			
Daltex Centre LP	40,747,350	8	1.01%			
Realty Association Fund VIII LP	40,486,360	9	1.01%			
Quebecor Printing	40,392,711	10	1.00%	61,280,230	5	1.73%
Blue Lake				77,082,270	3	2.18%
Prentiss Properties				51,321,730	7	1.45%
Aviall Services, Inc.				47,860,570	8	1.35%
PL Properties Associated LP				41,395,970	9	1.17%
Sysco Food Inc.				40,423,290	10	1.14%
	<u>\$ 662,439,681</u>		<u>16.47%</u>	<u>\$ 643,444,380</u>		<u>18.16%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

Notes:

(a) Total taxable value October 1, 2008 is \$4,019,807,491.

(b) Total taxable value October 1, 1999 is \$3,543,222,558.

PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST EIGHT FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	ACTUAL LEVY YEAR	TAXES LEVIED FOR THE FISCAL YEAR	(1)	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY				COLLECTIONS/ (REFUNDS) IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
				CURRENT TAX COLLECTIONS	(2)	PERCENT OF LEVY COLLECTED	(3)		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS TO TAX LEVY
2002	2001	\$ 17,208,844		\$ 16,865,453		98.00%		\$ 64,375	\$ 16,929,828	98.38%
2003	2002	16,655,270		16,194,052		97.23%		122,777	16,316,829	97.97%
2004	2003	16,367,777		15,742,089		96.18%		142,205	15,884,294	97.05%
2005	2004	16,089,181		16,041,941		99.71%		153,119	16,195,060	100.66%
2006	2005	16,307,329		16,410,700		100.63%		61,799	16,472,499	101.01%
2007	2006	17,335,466		17,306,192		99.83%		6,252	17,312,444	99.87%
2008	2007	18,886,923		18,569,133		98.32%		1,470	18,570,603	98.33%
2009	2008	19,877,948		19,273,031		96.96%			19,273,031	96.96%

Source: Dallas County Tax Office

Notes:

- (1) The original levy is as of July of the previous fiscal year and does not include any subsequent adjustments.  
 (2) Collections are based on adjusted levy, which may be higher or lower than original levy.  
 (3) Percent is based on original levy, which may be higher or lower than percent of adjusted levy.

RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF MONEY INCOME (1)	PER CAPITA (1)
	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	DEVELOPER ADVANCES	WATER REVENUE BONDS	ASSESSMENT REVENUE BONDS			
2000	\$ 21,130,000	\$ 4,610,000	\$	\$ 330,000	\$ 6,215,000	\$ 32,285,000	6.85%	\$ 1,174
2001	18,590,000	4,380,000			5,780,000	28,750,000	6.10%	1,045
2002	15,970,000	4,135,000	3,412,307		5,325,000	28,842,307	4.18%	1,041
2003	13,524,233	3,880,000	3,162,498		4,209,292	24,776,023	3.55%	885
2004	10,582,657	12,475,000	3,415,888		3,734,392	30,207,937	4.42%	1,102
2005	7,591,081	12,190,000	7,265,145		3,245,000	30,291,226	4.40%	1,098
2006	4,539,505	11,865,000	8,663,872		2,745,000	27,813,377	4.01%	999
2007	1,440,000	10,430,000	11,601,824			23,471,824	3.30%	824
2008	7,290,000	9,920,000	11,601,824			28,811,824	4.02%	1,002
2009	5,380,000	9,385,000	10,468,887			25,233,887	3.26%	811

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 12 for population data and money income.

RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		TOTAL	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY (1)	PER CAPITA (2)
	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS			
2000	\$ 21,130,000	\$ 4,610,000	\$ 25,740,000	0.73%	\$ 936
2001	18,590,000	4,380,000	22,970,000	0.62%	835
2002	15,970,000	4,135,000	20,105,000	0.51%	726
2003	13,524,233	3,880,000	17,404,233	0.46%	622
2004	10,582,657	12,475,000	23,057,657	0.65%	842
2005	7,591,081	12,190,000	19,781,081	0.61%	717
2006	4,539,505	11,865,000	16,404,505	0.50%	589
2007	1,440,000	10,430,000	11,870,000	0.34%	416
2008	7,290,000	9,920,000	17,210,000	0.45%	599
2009	5,380,000	9,385,000	14,765,000	0.37%	475

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 5 for taxable value of property data.

(2) See Table 12 for population data and money income.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2009  
 (UNAUDITED)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE OVERLAPPING	ESTIMATED SHARE OF OVERLAPPING DEBT
Debt repaid with property taxes			
Carrollton - Farmers Branch			
Independent School District	\$ 382,655,000	16.85%	\$ 64,477,368
Valwood Improvement Authority	10,683,193	33.60%	3,589,553
Dallas County	138,531,552	2.34%	3,241,638
Dallas County Hospital District	705,000,000	2.34%	16,497,000
Dallas County Community College			
District	387,260,000	2.34%	9,061,884
Dallas Independent School District	1,783,730,000	2.10%	37,458,330
Subtotal, overlapping debt	3,407,859,745		134,325,773
City direct debt (1)	8,890,234	100.00%	8,890,234
Total direct and overlapping bonded debt	\$ 3,416,749,979		\$ 143,216,007
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)		3.56%	
Per capita overlapping bonded debt		\$ 4,605	(2)

Source: Municipal Advisory Council of Texas

Notes:

- (1) The City direct debt includes Combination Tax and Hotel Occupancy Tax Certificates of Obligation, Series 1999, in the amount of \$4,800,000, which are being paid from hotel occupancy tax revenues and Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004, in the amount of \$7,895,000, which are being paid from amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P.
- (2) Based on North Central Texas Council of Governments' population estimate.

DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	LABOR FORCE (2)	UNEMPLOYMENT RATE % (2)	INCOME PER CAPITA (3)	MONEY INCOME (4)
2000	27,508	17,457	3.1%	\$ 17,122	\$ 470,991,976
2001	27,508	17,948	5.2%	17,122	470,991,976
2002	27,700	17,735	6.5%	24,921	690,311,700
2003	28,000	17,396	6.5%	24,921	697,788,000
2004	27,400	17,076	5.5%	24,921	682,835,400
2005	27,595	15,282	5.3%	24,921	687,694,995
2006	27,850	15,331	4.4%	24,921	694,049,850
2007	28,500	14,935	3.7%	24,921	710,248,500
2008	28,750	14,568	5.1%	24,921	716,478,750
2009	31,100	14,503	8.4%	24,921	775,043,100

## Sources/Notes:

- (1) Estimates provided by North Central Texas Council of Governments with exception of fiscal years 2000 and 2001, which are based on the 2000 Census.  
 (2) Labor force and unemployment rate figures are estimates for the City of Farmers Branch civilian labor force as of September and is provided by the Texas Workforce Commission.  
 (3) Income Per Capita information is provided by the U.S. Bureau of the Census and is based on the most current census at the time of its availability.  
 (4) Money income is derived by multiplying per capita income by the estimated population.

The following information is provided by the North Central Texas Council of Governments based on 2000 census information.

Households:	9,766	Male:	13,849
Families:	6,938	Female:	13,659

Racial Breakdown

White	21,560
Black	661
American Indian	150
Asian or Pacific Islander	813
Other	4,324

\* Nativity

Born in State	13,628
Born Out-of-State	7,301
Foreign Born	7,125
Born Abroad or in Outlying Areas	271

Source: North Central Texas Council of Governments

\* The figures presented may total more than the population because individuals may report more than one (single or multiple) ancestry.



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

EMPLOYER	2009 <sup>(1)</sup>			2000 <sup>(1)</sup>		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
IBM Corporation	4,200	1	5.60%	4,240	1	5.65%
JPMorgan Chase Investment Services	2,390	2	3.19%			
Maxim Integrated (previously Dallas Semiconductor)				1,600	2	2.13%
Federal Government - Internal Revenue Service	1,200	3	1.60%	1,200	3	1.60%
GEICO	1,167	4	1.56%	1,200	3	1.60%
Televista	1,500	5	2.00%			
Brookhaven College	620	6		1,200	3	1.60%
Iidon Security Associates	588	7	0.78%			
Ameripath North Texas	581	8	0.77%			
Stanley Works, Inc.	520	9	0.69%			
Fannie Mae	500	10	0.67%			
Texas Hospital for Advanced Medicine (previously RHD)	500	10		560	9	0.75%
TD Industries				1,000	4	1.33%
Sysco Food Systems, Inc.				900	5	1.20%
Sea-Land Service, Inc.				800	6	1.07%
Sprint, Inc.				800	6	1.07%
Occidental Chemical				650	7	0.87%
Omega Optical Co., Inc.				650	7	0.87%
Tenet Health Care				650	7	0.87%
Mobil Research and Development Corporation				600	8	0.80%
RF Monolithics				600	8	0.80%
Bantec Incorporated				550	10	0.73%
Quebecor Printing				550	10	0.73%
	<u>13,766</u>		<u>16.86%</u>	<u>17,750</u>		<u>23.67%</u>

## Sources:

North Central Texas Council of Governments (NCTCOG) website. The NCTCOG website provided the total employment for the 5-year periods of 1995 and 2000. The most recent total employment data available is for 2000 in the amount of 75,013. This amount was used for current year total employment.

## Note:

(1) Employers with the same number of employees were ranked the same resulting in the reporting of more than 10 employers.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST EIGHT FISCAL YEARS  
 (UNAUDITED)

Function/Program	Full-Time Equivalent Employees as of September 30							
	2002	2003	2004	2005	2006	2007	2008	2009
General government	71.40	68.08	66.02	66.52	74.63	77.09	77.26	66.16
General administration	9.25	8.50	8.50	8.50	7.50	6.50	7.00	6.35
Convention	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Communications	5.10	5.10	4.16	4.16	4.22	4.22	5.22	4.22
Economic development	2.00	2.00	2.00	2.00	2.00	3.00	2.00	1.00
Human resources	8.00	7.00	7.00	7.00	7.00	7.39	7.64	6.67
Finance	20.00	18.50	18.50	20.00	29.00	29.00	28.48	25.00
Community services	26.63	26.63	25.63	24.63	24.70	26.75	26.75	22.75
Other	0.12	0.35	0.23	0.23	0.21	0.23	0.17	0.17
Public safety	185.61	185.26	187.46	186.74	177.02	185.20	195.50	195.91
Police	117.81	117.81	119.81	119.31	109.81	109.96	113.04	113.04
Fire	66.00	64.00	64.00	64.22	64.28	72.00	80.09	80.50
Other	1.80	3.45	3.65	3.21	2.93	3.24	2.37	2.37
Public works	71.56	69.03	62.03	61.03	57.94	56.34	55.24	45.97
Engineering	22.00	22.00	19.00	18.00	18.00	18.00	18.00	13.00
Public works	45.00	43.00	39.00	39.00	36.27	34.27	34.27	30.00
Other	4.56	4.03	4.03	4.03	3.68	4.07	2.97	2.97
Culture and recreation	133.79	127.22	124.68	129.56	131.34	133.34	131.73	121.52
Parks	102.17	99.67	98.12	102.93	102.93	102.93	101.41	97.31
Library	24.93	23.18	22.93	23.00	25.00	26.75	26.75	21.25
Tourism	3.82	2.07	1.07	1.07	1.07	1.07	1.68	1.07
Other	2.88	2.30	2.56	2.56	2.34	2.59	1.89	1.89
Water and sewer	31.00	31.00	30.00	30.00	27.00	27.00	27.00	25.00
Water and sewer	31.00	31.00	30.00	30.00	27.00	27.00	27.00	25.00
Equipment services	2.64	1.36	1.46	1.46	1.34	1.46	1.06	1.07
Equipment services	2.64	1.36	1.46	1.46	1.34	1.46	1.06	1.07
Total	496.00	481.95	471.65	475.31	469.27	480.43	487.79	455.63

Source: City of Farmers Branch Finance Department

Notes: Information prior to fiscal year 2002 is not available. Information is reported from mid-year amended budgets.

SCHEDULE OF INSURANCE POLICIES IN FORCE  
 SEPTEMBER 30, 2009  
 (UNAUDITED)

POLICY ISSUED BY	AM BEST RATING	POLICY NUMBER	POLICY PERIOD	COVERAGE	DEDUCTIBLES	LIABILITY LIMITS
Texas Municipal League Intergovernment Risk Pool	A++	04687	10/1/2008 9/30/2009	General Liability	\$ 50,000	\$ 2,000,000
				Property	5,000	70,603,115
				Auto Liability	25,000	1,000,000
				Auto Physical Damage	2,500	Actual Cash Value
				Law Enforcement Liability	25,000	1,000,000
				Errors & Omissions	50,000	1,000,000
				Mobile Equipment	5,000	1,334,293
				Boiler & Machinery	5,000	8,000,000
				Employee Fidelity Bond	2,500	250,000
				Workers' Compensation	N/A	350,000 *(SIR)
				Animal Mortality (K-9)	25 / 50	As scheduled.
The Hartford Casualty Insurance Company	A+	61BSBDB6431	10/1/2008 9/30/2009	Fidelity Bond for Finance Director	2,500	250,000
Great American Alliance Insurance Company	A++	BTA5279922	10/1/2008 9/30/2009	Underground Storage Tank	4,000	1,000,000

Source: City of Farmers Branch Risk Manager

Notes: Claims Administrators - Workers' Compensation, TML Claims, 18601 LBJ Freeway, Suite 210, Town East Tower, Mesquite, Texas 75150.

\*(SIR) "Self Insured Retention"

CITY OF FARMERS BRANCH, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(UNAUDITED)

		Fiscal Year				
		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public safety						
Police						
Number of employees	(1)	113	113	114	114	116.5
Number of sworn officers		73	73	73	74	74
Number of violations (citations)		26,127	33,309	36,539	40,466	29,308
Fire						
Number of employees		64	64	64	64	64
Number of EMS runs		2,199	2,169	2,048	1,999	1,912
Number of fire runs		3,704	3,688	3,596	3,508	3,302
Public works						
Street reconstruction (lane-miles)		2.0	0.7	0.6	0.8	1.0
Street resurfacing (lane-miles)		0.0	12.0	18.0	15.0	11.0
Culture and recreation						
Parks						
Recreation memberships sold (basic)	(2)					
Recreation memberships sold (fitness)	(2)					
Total pool admissions		21,100	28,369	22,792	25,499	19,537
Visits to Historical Park		N/A	29,520	49,493	47,947	51,106
Library						
Volumes borrowed		239,127	255,345	305,218	400,687	428,820
Volumes in library collection		97,170	94,245	98,462	97,499	101,156
Water and sewer						
Average daily water consumption (thousands of gallons)		10,380	9,497	8,620	8,833	7,856
Number of water consumers		9,398	9,405	9,433	9,467	9,442

Sources: Various City departments.

Notes: N/A - data unavailable at time of publication.

(1) The Municipal Court Division was moved to the Finance Department in fiscal year 2006.

(2) The Recreation Center was out of service from December 2002 until January 2004 while a new facility was being constructed. Prior to January 2004, the City did not sell memberships to the Recreation Center.

TABLE 16

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
117	107	107	110	110
74	74	74	74	74
23,207	19,091	20,424	21,284	18,723
64	64	72	80	81
2,083	1,994	2,114	2,257	2,206
3,113	3,071	1,445	1,193	1,127
1.2	1.0	5.0	3.5	0.7
11.0	11.0	11.0	11.0	33.7
1,409	2,364	1,338	1,359	1,320
894	1,771	709	814	819
16,757	16,835	14,355	13,214	12,620
49,706	48,293	45,216	50,231	48,348
428,096	451,295	431,167	416,902	461,525
104,018	111,617	119,347	120,970	148,878
8,083	9,655	7,525	8,569	8,106
9,444	9,490	9,472	9,441	9,428

CITY OF FARMERS BRANCH, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(UNAUDITED)

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public safety					
Police stations	1	1	1	1	1
Patrol units	14	14	14	14	14
Fire stations	2	2	2	2	2
Public works					
Streets (lane miles)	378	378	378	378	398
Traffic signals	50	50	49	49	49
Landfill capacity (million cubic yards)	24.5	24.5	24.5	24.5	24.5
Culture and recreation					
Acreage	400	400	400	400	400
Parks	28	28	28	28	28
Playgrounds	N/A	N/A	12	12	12
Swimming pool	1	1	1	1	1
Recreation center	1	1	1	1	1
Senior center	1	1	1	1	1
Library	1	1	1	1	1
Historical park	1	1	1	1	1
Utilities					
Water mains (miles)	169.0	169.5	170.8	170.8	171.0
Fire hydrants	1,831	1,839	1,857	1,859	1,861
Storage capacity (millions of gallons)	20.0	19.5	19.5	19.5	21.5
Sanitary sewers (miles)	137.8	138.2	139.2	139.2	139.2
Storm sewers (miles)	100	100	101	101	101

Sources: Various City departments.

Note: No capital asset indicators are available for the general government or library function.

TABLE 17

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1	1	1	1	1
14	15	15	14	14
2	2	2	3	3
398	398	405	411	411
49	52	54	54	54
24.5	24.5	24.5	24.5	24.5
400	400	387	387	392
28	28	26	26	31
12	12	13	13	13
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
171.0	171.0	173.4	173.4	173.4
1,864	1,864	1,899	2,002	2,002
21.5	21.5	21.5	21.5	21.5
139.2	139.2	140.8	140.8	140.8
101	101	103	103	103

(Page intentionally left blank)



*CONTINUING FINANCIAL  
DISCLOSURE SECTION*



## CONTINUING FINANCIAL DISCLOSURE SECTION

(Unaudited)

The Continuing Financial Disclosure Section presents various financial data originally distributed in a debt official statement. The city is required to update financial tables originally distributed in a debt official statement within six months after the end of the fiscal year ending on or after September 30, 1999. The financial tables that follow are updated through September 30, 2009, from the last debt issues that were sold October of 2007. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

TAXABLE ASSESSED VALUATIONS BY CATEGORY  
(UNAUDITED)

	2010		2009		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,229,960,150	22.90%	\$ 1,224,870,990	24.05%	\$ 1,187,126,940	24.31%
Real, Residential, Multi-Family	181,554,340	3.38%	136,575,980	2.68%	139,565,240	2.86%
Real, Vacant Lots/Tracts	155,598,070	2.90%	118,995,820	2.34%	137,782,490	2.82%
Real, Commercial	2,232,389,700	41.57%	2,364,694,420	46.43%	2,292,038,100	46.92%
Real, Industrial	27,083,770	0.50%	27,850,780	0.55%	24,862,790	0.51%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	118,802,590	2.21%	115,664,370	2.27%	110,857,310	2.27%
Tangible Personal, Commercial	1,183,541,580	22.04%	841,035,460	16.51%	815,986,150	16.70%
Tangible Personal, Industrial	241,329,110	4.50%	263,424,290	5.17%	176,540,500	3.61%
Total Appraised Value Before Exemptions	5,370,260,710	100.00%	5,093,113,510	100.00%	4,884,760,920	100.00%
Less: Total Exemptions/Reductions	1,241,985,374		1,073,306,019		1,065,362,943	
Taxable Assessed Value	<u>\$ 4,128,275,336</u>		<u>\$ 4,019,807,491</u>		<u>\$ 3,819,397,977</u>	

	2007		2006	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,148,704,570	26.14%	\$ 1,139,792,540	26.77%
Real, Residential, Multi-Family	113,458,300	2.58%	99,053,820	2.33%
Real, Vacant Lots/Tracts	169,223,190	3.85%	140,287,090	3.30%
Real, Commercial	1,926,143,250	43.84%	1,792,442,010	42.09%
Real, Industrial	20,850,330	0.47%	18,148,400	0.43%
Real, Oil, Gas, and Other Mineral Reserves	800	0.00%	800	0.00%
Real, Non-Producing Minerals	600	0.00%	600	0.00%
Real and Tangible Personal, Utilities	123,727,260	2.82%	170,512,140	4.01%
Tangible Personal, Commercial	688,795,260	15.67%	643,301,960	15.11%
Tangible Personal, Industrial	203,632,220	4.63%	253,541,400	5.96%
Total Appraised Value Before Exemptions	4,394,535,780	100.00%	4,257,080,760	100.00%
Less: Total Exemptions/Reductions	888,880,310		959,339,732	
Taxable Assessed Value	<u>\$ 3,505,655,470</u>		<u>\$ 3,297,741,028</u>	

## Notes:

Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT  
(UNAUDITED)

2009/2010 Market Valuation Established by DCAD		\$ 5,370,260,710
(excluding totally exempt property)		
Less Exemptions/Reductions at 100% Market Value:		
Totally Exempt Parcels	\$ 489,114,790	
Tax Abatements	8,364,678	
Homestead	195,281,019	
Over 65	132,877,823	
Freeport	386,782,314	
Capped Value Loss	2,024,618	
Disabled Persons	6,665,632	
Disabled Veterans	1,767,080	
Pollution Control	1,024,126	
Under 500	31,730	
Agricultural	18,051,564	
Total Exemptions		1,241,985,374
2009/2010 Net Taxable Assessed Valuation		\$ 4,128,275,336
City Funded Debt Payable From Ad Valorem Taxes		
Outstanding General Obligation Debt	\$ 5,380,000	
Certificates of Obligation	2,030,000	
Series 2004 Taxable Certificates	7,355,000	
Series 2009 Certificates of Obligation	10,000,000	
City Funded Debt Payable from Ad Valorem Taxes		\$ 24,765,000
Less: Self Supporting Debt (Certificates of Obligation)	(1)	2,030,000
Series 2004 Taxable Certificates	(2)	7,355,000
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 15,380,000
General Obligation Interest and Sinking Fund		223,766
Ratio of Gross General Obligation Tax Debt to Taxable Assessed Valuation		0.600%
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		0.373%
2009 Estimated Population - 31,100		
Per Capita Taxable Assessed Valuation - \$132,742		
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$495		

## Notes:

- (1) Self Supporting Debt consists of the City's Combination Tax and Hotel Occupancy Tax Certificates of Obligation, Series 1999, which are being paid from hotel occupancy tax revenues. The City could discontinue its policy of paying such debt from hotel tax receipts, and, in lieu thereof levy an ad valorem tax or use other lawfully available funds to pay such obligations.
- (2) The City believes the Series 2004 Taxable Certificates will be self-supporting based upon amounts to be received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., a Delaware Limited Partnership, with respect to the Facility. Payments under the Lease are not pledged to the payment of the 2004 Taxable Certificates. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the 2004 Taxable Certificates, the City will be required to levy an ad valorem tax to pay such obligations.

VALUATION AND GENERAL OBLIGATION DEBT HISTORY  
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	TAXABLE ASSESSED VALUATION	TAXABLE ASSESSED VALUATION PER CAPITA (2)	G.O. TAX DEBT OUTSTANDING AT END OF YEAR	RATIO OF G.O. TAX DEBT TO TAXABLE ASSESSED VALUATION (2)	G.O. TAX DEBT PER CAPITA (2)
2006	27,850	\$ 3,297,741,028	\$ 118,411	\$ 16,355,000 (3)	0.50%	\$ 587 (3)
2007	28,500	3,505,655,470	123,005	11,870,000 (4)	0.34%	416 (4)
2008	28,750	3,819,397,977	132,849	17,210,000 (4)	0.45%	599 (4)
2009	31,100	4,019,807,491	129,254	14,765,000 (4)	0.37%	475 (4)
2010	31,100	4,128,275,336	132,742	12,470,000 (4)	0.30%	401 (4)

## Notes:

- (1) Based on North Central Texas Council of Governments original population estimates with the exception of current fiscal year, which is a projection.
- (2) As reported by the Dallas Central Appraisal District on the City's annual State Property Tax Report; subject to change during the ensuing year.
- (3) Includes Series 1999 Combination Tax and Hotel Occupancy Tax Certificates of Obligation, Series 2004 Taxable Certificates, and Series 2004A Certificates.
- (4) Includes Series 1999 Combination Tax and Hotel Occupancy Tax Certificates of Obligation and Series 2004 Taxable Certificates.

TAX RATE, LEVY, AND COLLECTION HISTORY  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	TAX RATE	GENERAL FUND	I & S FUND	TAX LEVY	% CURRENT COLLECTIONS	% TOTAL COLLECTIONS
2005	\$ 0.4945	\$ 0.3965	\$ 0.0980	\$ 16,089,181	99.71%	100.66%
2006	0.4945	0.3985	0.0960	16,307,329	100.63%	101.01%
2007	0.4945	0.4041	0.0904	17,335,466	99.83%	99.87%
2008	0.4945	0.4386	0.0559	18,886,923	98.32%	98.33%
2009	0.4945	0.4423	0.0522	19,877,948	96.96%	96.96%

TEN LARGEST TAXPAYERS  
FISCAL YEAR 2010  
(UNAUDITED)

TAXPAYER	NATURE OF PROPERTY	TAXABLE VALUE	PERCENTAGE OF TOTAL CERTIFIED TAXABLE VALUE
TCI Park West I Inc.	Real Estate Investment Company	\$ 124,293,000	3.01%
Occidental Tower Corporation	Chemical Production	81,145,180	1.97%
AT&T/Southwestern Bell/Cingular	Telecommunications	74,711,620	1.81%
70 Washington Street LP	Real Estate Investment Company	73,762,080	1.79%
Research in Motion Corporation	Telecommunications	67,303,858	1.63%
EOS Properties at Providence Towers	Real Estate Investment Company	61,000,000	1.48%
Garden Centura LP	Real Estate Investment Company	60,975,410	1.48%
Maxim (previously Dallas Semiconductor)	Semiconductor Manufacturing	52,104,232	1.26%
Glazers Wholesale	Spirit and Wine Distribution	46,110,690	1.12%
Lakeview at Parkside	Real Estate Developers	38,625,000	0.94%
		<u>\$ 680,031,070</u>	<u>16.49%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch



TAX ADEQUACY  
(UNAUDITED)

---

2010 Principal and Interest Requirements (1)	\$ 2,993,742
\$0.0733 Tax Rate at 99% Collection Produces	2,995,766
Average Annual Principal and Interest Requirements, 2010-2030 (1)	\$ 989,328
\$0.0243 Tax Rate at 99% Collection Produces	993,139

## Note:

(1) Includes Combination Tax and Hotel Occupancy Tax Certificates of Obligation and Combination Tax and Revenue Certificates of Obligation.

CITY OF FARMERS BRANCH, TEXAS

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS  
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS (1)			SPECIAL REVENUE BONDS (2)		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2010	\$ 1,735,000	\$ 185,845	\$ 1,920,845	\$ 560,000	\$ 512,897	\$ 1,072,897
2011	1,790,000	126,378	1,916,378	585,000	486,077	1,071,077
2012	1,855,000	64,522	1,919,522	615,000	456,680	1,071,680
2013				650,000	425,664	1,075,664
2014				685,000	392,179	1,077,179
2015-2019				1,380,000	1,632,239	3,012,239
2020-2024				1,855,000	1,167,105	3,022,105
2025-2029				2,470,000	544,330	3,014,330
2030				585,000	16,965	601,965
	<u>\$ 5,380,000</u>	<u>\$ 376,745</u>	<u>\$ 5,756,745</u>	<u>\$ 9,385,000</u>	<u>\$ 5,634,136</u>	<u>\$ 15,019,136</u>

Notes:

(1) "General Obligation Bonds" do not include lease/purchase obligations.

(2) Combination Tax and Hotel Occupancy Tax Certificates of Obligation - average life of issue - 9.074 years. Combination Tax and Revenue Certificates of Obligation Series 2004 - average life of issue - 16.657 years.

TABLE CD-7

TOTAL DEBT SERVICE REQUIREMENTS		% OF PRINCIPAL RETIRED
\$	2,993,742	15.54%
	2,987,455	31.63%
	2,991,202	48.36%
	1,075,664	52.76%
	1,077,179	57.40%
	3,012,239	66.75%
	3,022,105	79.31%
	3,014,330	96.04%
	601,965	100.00%
\$	20,775,881	

INTEREST AND SINKING FUND BUDGET PROJECTION  
(UNAUDITED)

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/10	(1)		\$ 2,993,742
Interest and Sinking Fund, 9/30/09		\$ 223,766	
Interest and Sinking Fund Tax Levy @ 99% Collection		2,868,852	
Transfer for Hotel Occupancy Tax Debt Service		473,300	
Transfer for Tax and Revenue Debt Service		606,200	
Estimated Investment Income			4,172,118
Estimated Balance 9/30/10			<u>\$ 1,178,376</u>

Note:

(1) Includes Combination Tax and Hotel Occupancy Tax Certificates of Obligation and Combination Tax and Revenue Certificates of Obligation.

COMPUTATION OF SELF-SUPPORTING DEBT <sup>(1)</sup>  
(UNAUDITED)

	(2)	
Hotel/Motel Occupancy Tax Revenues		\$ 1,974,308
Less: Requirements for Hotel Occupancy Tax Certificates of Obligation		468,293
Balance Available for Other Purposes		<u>\$ 1,506,015</u>

Notes:

- (1) The City has determined that the Series 2004 Taxable Certificates will be self-supporting general obligation debt based upon amounts to be received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility being financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the Series 2004 Taxable Certificates is dependent on the satisfaction of certain initial and ongoing requirements in the Lease, particularly including the Lease provision that a certificate of occupancy be issued for the ice skating facility prior to the commencement of the lease term. The City is of the view that such lease provisions are customary, but anticipates that a portion of the debt service for the Certificates during the construction of the facility will be funded from transfers from other available sources.
- (2) The City's Series 1999 Certificates of Obligation are secured by a pledge of the ad valorem taxes and receipts from the 7% hotel occupancy tax collected by the City for the promotion of tourism in the City. Since the Series 1999 Certificates of Obligation were issued, the City has transferred hotel tax revenues to the debt service fund to pay debt service on the Series 1999 Certificates of Obligation and anticipates that it will continue to do so to pay the outstanding Series 1999 Certificates of Obligation.

HOTEL/MOTEL TAX REVENUE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>FISCAL YEAR</u>	<u>HOTEL/MOTEL TAX REVENUE</u>	<u>NUMBER OF ROOMS</u>
2000	\$ 2,803,435	2,207
2001	2,534,403	2,207
2002	2,026,831	2,172
2003	1,797,279	2,172
2004	1,786,530	2,173
2005	1,965,693	2,194
2006	2,249,499	2,196
2007	2,487,792	2,137
2008	2,507,434	2,137
2009	1,974,308	2,137

HOTEL OCCUPANCY TAXPAYERS  
 SEPTEMBER 30, 2009  
 (UNAUDITED)

HOTEL	NUMBER OF ROOMS	TAXES PAID	% OF TOTAL
Omni @ Park West	337	\$ 602,771	30.53%
Doubletree Hotel Dallas	290	342,372	17.34%
Sheraton Dallas Galleria	310	277,188	14.04%
Holiday Inn Select North Dallas	375	253,587	12.84%
Doubletree Club Hotel	160	194,549	9.86%
Fairfield Inn	107	101,230	5.13%
LaQuinta Inn	122	65,667	3.33%
Super 8	50	30,393	1.54%
Days Inn North Dallas	72	29,460	1.49%
Econolodge Dallas Airport North	120	26,403	1.34%
Studio Plus	86	24,692	1.25%
America's Best Value Inn	103	24,029	1.22%
Chateau DeVille Apartments	2	881	0.04%
Lakeview at Parkside	1	618	0.03%
Villas at Parkside	2	468	0.02%
	<u>2,137</u>	<u>\$ 1,974,308</u>	<u>100.00%</u>

GENERAL FUND REVENUE AND EXPENDITURE HISTORY  
FISCAL YEARS ENDED SEPTEMBER 30  
(UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2009	2008	2007	2006	2005
REVENUES					
Property, sales, and franchise taxes	\$ 33,345,154	\$ 33,608,979	\$ 31,308,791	\$ 30,494,007	\$ 28,236,045
Licenses and permits	485,241	769,575	847,741	901,032	702,623
Charges for services	4,360,812	4,483,280	4,796,883	4,553,630	4,689,222
Fines and forfeitures	2,115,780	2,210,036	2,616,722	2,520,119	2,681,631
Investment income	661,046	955,436	1,070,033	970,781	565,953
Miscellaneous	78,500	215,776	102,480	125,666	106,459
Total revenues	41,046,533	42,243,082	40,742,650	39,565,235	36,981,933
EXPENDITURES					
Current:					
General government	9,801,506	12,172,038	9,831,145	8,401,617	7,568,695
Public safety	19,983,636	19,059,216	16,801,893	15,777,257	16,029,225
Public works	6,857,651	7,273,294	7,166,136	6,736,532	6,685,000
Culture and recreation	10,043,451	9,963,027	9,470,901	9,376,904	9,025,479
Total expenditures	46,686,244	48,467,575	43,270,075	40,292,310	39,308,399
Deficiency of revenues under expenditures	(5,639,711)	(6,224,493)	(2,527,425)	(727,075)	(2,326,466)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,329,790	2,921,942	2,637,317	2,612,451	2,332,842
Transfers out			(3,612,500)	(137,500)	(633,500)
Sale of capital assets/insurance recoveries	97,485	399,024	313,919	257,523	154,147
Total other financing sources (uses)	5,427,275	3,320,966	(661,264)	2,732,474	1,853,489
Net change in fund balance	(212,436)	(2,903,527)	(3,188,689)	2,005,399	(472,977)
Fund balances--beginning	9,041,485	11,945,012	15,133,701	13,128,302	13,601,279
Fund balances--ending	\$ 8,829,049	\$ 9,041,485	\$ 11,945,012	\$ 15,133,701	\$ 13,128,302



AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS  
(UNAUDITED)

<u>PURPOSE</u>	<u>DATE AUTHORIZED</u>	<u>AMOUNT AUTHORIZED</u>	<u>UNISSUED BALANCE</u>
Relocate Fire Station	May 2009	\$ 5,500,000	\$ 5,500,000
		<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>

MUNICIPAL SALES TAX HISTORY  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	TOTAL COLLECTED	% OF AD VALOREM TAX LEVY	EQUIVALENT OF AD VALOREM TAX RATE	PER CAPITA
2005	\$ 10,789,405	67.06%	\$ 0.3316	\$ 390.99
2006	11,240,717	68.93%	0.3409	403.62
2007	12,367,492	71.34%	0.3528	433.95
2008	12,458,643	65.96%	0.3262	433.34
2009	11,912,047	59.93%	0.2963	383.02

The sales tax breakdown for the City is as follows:

Dallas Area Rapid Transit	1.00¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	6.25¢
Total	<u>8.25¢</u>

CURRENT INVESTMENTS  
 SEPTEMBER 30, 2009  
 (UNAUDITED)

DESCRIPTION OF INVESTMENT	% OF PORTFOLIO	PURCHASE PRICE	MARKET VALUE
Certificates of Deposit Account Registry	48.99%	\$ 18,657,750	\$ 18,657,750
Federal Home Loan Bank Notes	36.44%	13,876,498	13,964,339
Repurchase Agreements	8.88%	3,381,915	3,381,915
Federal Farm Credit Bank Notes	4.03%	1,532,813	1,552,500
Fannie Mae Notes	1.66%	632,658	679,216
	<u>100.00%</u>	<u>\$ 38,081,634</u>	<u>\$ 38,235,720</u>

HISTORICAL WATER AND WASTEWATER USAGE  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	WATER USAGE AMOUNT IN GALLONS (000)			WASTE WATER CONSUMPTION AMOUNT IN GALLONS (000)
	TOTAL CONSUMPTION	PEAK DAY	AVERAGE DAY	TOTAL USAGE
2005	2,950,227	14,813	8,083	1,709,434
2006	3,523,898	17,573	9,655	1,225,346
2007	2,746,547	15,214	7,525	1,727,468
2008	3,127,749	16,042	8,569	1,436,358
2009	2,958,699	15,550	8,106	1,311,979

Note: Total Consumption represents total water purchased by the City.

TOP TEN WATER CONSUMERS  
 SEPTEMBER 30, 2009  
 (UNAUDITED)

CONSUMER	TYPE OF INDUSTRY	2008-09 CONSUMPTION (GALLONS)	% OF TOTAL CONSUMPTION	2008-09 REVENUES	% OF REVENUES
Dallas Semiconductor	Manufacturing	119,021,000	4.0%	\$ 430,584	4.7%
TCI Park West	Management Company	51,319,000	1.7%	175,416	1.9%
Lakeview at Parkside	Real Estate	42,978,000	1.5%	211,517	2.3%
Daltex	Real Estate Developers	33,656,000	1.1%	125,848	1.4%
Ventana at Valwood, MMH Mgmt	Real Estate	31,240,000	1.1%	112,400	1.2%
Cooks Creek Apartments	Real Estate	28,553,000	1.0%	109,316	1.2%
Omni Dallas Hotel	Hotel	24,641,000	0.8%	86,261	0.9%
Quebecor World	Printing	23,273,000	0.8%	84,806	0.9%
Parish Day School	Education	21,746,000	0.7%	69,671	0.8%
Villas De Campesinos	Real Estate	21,308,000	0.7%	70,065	0.8%

Source: City of Farmers Branch Finance Department

MONTHLY WATER AND SEWER RATES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	WATER RATES				SEWER RATES	
	MONTHLY BASE 2,000 GALLONS	RATE PER 1,000 GALLONS			MONTHLY BASE 2,000 GALLONS	RATE PER 1,000
						GALLONS
		NEXT 8,000 GALLONS	NEXT 10,000 GALLONS	OVER 20,000 GALLONS		OVER
						2,001 GALLONS (1)
2000	\$ 8.38	\$ 2.47	\$ 2.56	\$ 2.66	\$ 8.76	\$ 1.18
2001	8.38	2.47	2.56	2.66	8.76	1.18
2002	8.38	2.47	2.56	2.66	8.76	1.18
2003	8.38	2.47	2.56	2.66	8.76	1.18
2004	8.80	2.59	2.56	2.66	9.20	1.24
2005	9.20	2.71	2.81	2.92	9.61	1.30
2006	10.44	3.08	3.19	3.31	10.91	1.48
2007	10.44	2.83	3.19	3.31	10.91	1.48
2008	10.44	2.83	3.19	3.31	10.91	1.48
2009	11.69	3.17	3.57	3.71	12.22	1.66

## Notes:

Rates are based on 3/4" and 5/8" meters, which are the standard household meter sizes. The City charges an additional rate for non-standard meter sizes.

(1) Private residents are not charged for sewer beyond 10,000 gallons.

CONDENSED STATEMENT OF WATER AND SEWER SYSTEM OPERATIONS  
 FISCAL YEARS ENDED SEPTEMBER 30  
 (UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2009	2008	2007	2006	2005
REVENUES					
Charges for services	\$ 14,185,971	\$ 13,539,586	\$ 12,114,700	\$ 15,352,500	\$ 12,010,694
Investment income	248,022	428,409	614,641	411,189	169,269
Miscellaneous	2,780	1,805	1,911	8,043	7,311
Total revenues	<u>14,436,773</u>	<u>13,969,800</u>	<u>12,731,252</u>	<u>15,771,732</u>	<u>12,187,274</u>
EXPENDITURES					
Personal services	1,842,389	1,771,566	1,655,323	1,601,470	1,880,353
Materials and supplies	250,047	217,099	142,726	145,945	132,663
Maintenance and utilities	1,527,874	1,082,732	993,066	960,753	617,381
Purchase of water	4,487,328	4,230,694	4,215,899	4,356,520	3,769,111
Sewage treatment	1,872,221	2,169,091	2,205,728	1,787,319	2,028,647
Total expenditures	<u>9,979,859</u>	<u>9,471,182</u>	<u>9,212,742</u>	<u>8,852,007</u>	<u>8,428,155</u>
Net available for debt service	<u>\$ 4,456,914</u>	<u>\$ 4,498,618</u>	<u>\$ 3,518,510</u>	<u>\$ 6,919,725</u>	<u>\$ 3,759,119</u>
CUSTOMERS	9,428	9,441	9,472	9,490	9,444

## Notes:

The above calculation of amounts available for payment of system debt service excludes non-cash expenses such as depreciation and amortization. Debt service payments are also excluded. Certain non-cash revenue sources, principally investment income, are included.



**FARMERS  
BRANCH**